



# **PHUMELELA LOCAL MUNICIPALITY (FS 195) FINAL ANNUAL BUDGET**

## **2020/2021 TO 2022/2023 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK**

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### **Abbreviations and Acronyms**

BSC:	Budget Steering Committee
CFO:	Chief Financial Officer
MM:	Municipal Manager
CPI:	Consumer Price Index
DBSA:	Development Bank of South Africa
DoRA:	Division of Revenue Act
DWA:	Department of Water Affairs
FBS:	Free basic services
FMG:	Financial Management Grant
GRAP:	General Recognised Accounting Practice
HR:	Human Resources
IDP:	Integrated Development Strategy
IT:	Information Technology
kℓ:	kilolitre
km:	kilometre
KPA:	Key Performance Area
KPI:	Key Performance Indicator
kWh:	kilowatt
ℓ:	litre
LED:	Local Economic Development
MFMA:	Municipal Financial Management Act
MIG:	Municipal Infrastructure Grant
MPRA:	Municipal Properties Rates Act
MSA:	Municipal Systems Act
MSIG:	Municipal Systems Improvement Grant
MTREF:	Medium-term Revenue and Expenditure Framework
NERSA:	National Electricity Regulator South Africa
NGO:	Non-Governmental organisations
NKPIs:	National Key Performance Indicators
NT:	National Treasury
OHS:	Occupational Health and Safety
PMS:	Performance Management System
PPE:	Property Plant and Equipment
RBIG:	Regional Bulk Infrastructure Grant
SALGA:	South African Local Government Association
SALGBC:	South African Local Government Bargaining Council
SDBIP:	Service Delivery Budget Implementation Plan



## 1.1 MAYOR'S REPORT

### TABLING THE FINAL MID TERM REVENUE EXPENDITURE FRAMEWORK REPORT FOR 2020/21 AND TWO OUTER YEARS 2021/22 AND 2022/23 FOR APPROVAL BY COUNCIL BEFORE START OF THE 2020/2021 FINANCIAL YEAR ON THE OCCASION OF THE VIRTUAL COUNCIL MEETING ON 30 MAY 2020 PRESENTED BY CLLR TJ MOTAUNG

MADAM SPEAKER

EXCO MEMBERS

CHIEF WHIP OF THE RULLING PARTY

FELLOW COUNCILLORS

LEADERS OF POLITICAL PARTIES

MUNICIPALITY ADMINISTRATION LED BY THE MUNICIPAL MANAGER MME NOMVULA MALATJIE.

LADIES AND GENTLEMEN

Ho ya ntokela Motsamaisi wa Dipuisano hore ke simolle puo yaletsatsi la kajeno ka h o lebisa diteboho le dipoko le tlhomphoyohle ho Ramasedi, Tlatlamatjholo, Modimo wabo Ntata rona, Jehova wa Makgotla. Ka nnetenete Jehova ke yena e lengtshepo y ena ke seikokotlelo sa ka. Ke lifika la ka le setshabelosaka nakong ya ditsietsi le dife fo. Le kajeno ke ntse ke dumelahore ke yena ya mphang matla ka dinako tsohle ho p hethahatsa thomo ya Lekgotla lena le kgabane la Phumelela.

Madam Speaker, Today we meet again however in an unusual manner. We are meeting at the time when coronavirus also known as COVID-19 has distraught the world and our **Phumelela Local Municipality 2020/2021 budget vote speech**

In December 2019, in the city of Wuhan in China an outbreak in the form of coronavirus was registered. Since the outbreak in Wuhan, this disease has infected more than 7 million people in the world with deaths of approximately 400 thousands. It is a disease, which does not know colour, age, boundaries or social status. This decease has become an invisible enemy. It is invisible enemy in the sense that, it is sometimes difficult to notice it until the carrier has interacted with number of people whom in turn made also contacts.

This disease has drastically changed the way we think, the way we do things and our livelihoods in general. The first case of coronavirus in South Africa was registered on 5 March 2020 from a 38 years old male who travelled to Italy.

The virus is part of flu family and have the same symptoms one get from being infected with flu, however it is sever on respiratory system.

The South African government led by President Cyril Ramaphosa announced a lockdown on the 26 March 2020 as a measure to curb the spread of the virus. This

was a swift decision from government and its intention was to save the lives of South African citizens. We applaud the national government for being bold in taking such a difficult but necessary decision. This again was a pure demonstration of how the ANC government values its people.

Madam Speaker, we also want to congratulate the provincial government of Free State in the manner in which they have handled the situation. The ANC led government in the Free State has demonstrated care and capacity. If the government did not act immediately, there were possibilities that, we would be among the worst in terms of infections especially bearing in mind number of people who attended church service in Bloemfontein and interacted with individuals who were infected with COVID-19.

The coronavirus has put a new strain on government especially local government. We know Madam Speaker that local government is at the cold face of service delivery.

Many of our people who require service delivery, the first sphere of government they interact with is local government including on issues of provincial and national competency.

The emergence of COVID-19 might result in shift of government budgets to focus more on saving lives and spending less time on daily service delivery issues. The COVID-19 situation might reduce the speed at which services are provided by local government and other sphere of government.

The new situation requires us to operate differently in order to be able to provide services to our people. At this point, allow me Madam Speaker to express words of gratitude to the good Samaritans who continue to help those in dire need of food during this time. The business community around Phumelela, the Gift of the Givers, NGOs, truck drivers around Ezenzeleni, Churches and individuals in the true spirit of Christian fellowship, their act of good has not gone unnoticed. Realeboha!

We present this budget madam speaker during an unprecedented challenge ever witnessed in our time. The draught situation most notably affecting Vrede and Thembalihle where the dam levels had been declining since 2018, the Vrede and Thembalihle crisis picked during 2020 when water levels lowered between 5 and 10 percent of the total dam capacity. The municipal water supply was largely switched off and residents queue for their daily rationed water and through the delivery of water trucks. The municipality did not bag down however the following interventions were employed such as refurbishment of existing boreholes and drilling of new boreholes of which 8 are already commissioned, revamping of trickling sand filters at the water treatment plant and laying of pipes from the reserve dam into the sump located at the abstraction dam. For all above to be achieved the Municipality was working in close collaboration with the following government departments:

- Department of Water and Sanitation
- South African National Defence Force
- Rand Water,
- Office of the Premier and her cabinet and

Madam speaker and all compatriots, allow me to Hartley recognise and most of all thank the interventions and support received from all above sector departments and the office of the premier in particular.

To date the Department of Water and Sanitation supported the Municipality with 8 Water Tankers coupled with 61 Jojo tanks which are placed communally in order to temporarily supply the community with water.

Madam Speaker, early this year before COVID-19 outbreak, the President of the ANC, Cyril Ramaphosa in the ANC January 8 statement charted that "Local government is the sphere of government closest to where people live and work. It is therefore vital that local government performs its functions efficiently and consistently".

He further said, "A crucial area of focus is on the capabilities, commitment and integrity of councillors and local government officials". It is within this understanding that we have to now like never before employ the most commitment and capacity on our part to improve the lives of our people.

The current invisible enemy pose a challenge and opportunity at the same time to local government. It is challenging because the magnitude of the issues, pose a challenge of collapsing the state in particular local government but also chanting a different new chapter. The current challenges are, our resources both financial and human are not necessarily ready to deal with these challenges of COVID-19, we have deteriorating infrastructure and we do not have human mind capacity, to sufficiently comprehend the period we are in, and social conditions in general.

Madam Speaker, on the other hand the opportunity, which, the situation introduce, is a chance to think differently in pushing the agenda to deracialize the economy. We now have an opportunity to revitalize township economy through introducing radical by-laws biased to township economy. We must now intensify our efforts for localization and innovation.

Madam Speaker we also present this budget during youth month. The 1976 youth detachment stood and confronted apartheid system. Most of these young people were ordinary youth in our townships who had ambitions to attain something in life. They had to confront the system while possibilities of being killed, arrested, tortured where high.

They did not use the challenges or consequences that might follow them because of their actions as an excuse to succumb to apartheid government.

The plight of these young people was equal opportunities in education, defiance of Afrikaans as a medium of instruction and general liberation of blacks. These students although confronted with guns, they only had their voices to chant revolutionary songs and stones as their weapons to win the freedom of Africans. This was a sign of bravery and selflessness at best. We therefore not dare fail their aspirations.

Madam Speaker, part of the broader agenda agitated by youth in their 1944 Manifesto was political freedom in their lifetime. Some of the then leaders of the YL includes Anton Lambede, Nelson Mandela, Walter Sisulu, Oliver Tambo and others. These leaders achieved their mission because some could realise freedom in their lifetime through the 1994 democratic breakthrough. The political freedom in their lifetime was not a means to an end. The youth that came after them realised that political freedom only is not enough to liberate our people but must be accompanied by economic freedom in our lifetime.

It is for this reason Madam Speaker that compelled the 2007 ANC National Conference to take a decision of introducing the second phase of transition. The second phase of transition require us to build a National Democratic Society, which will speed up change in economic and social transformation.

The National Democratic Society is the type of society that aspire for united, non-racial, non-sexist, democratic and prosperous South Africa. In all we do, we must unite our people beyond the colour bar, gender and age.

It is only a united society, that can realise prosperity. We must be united in an effort to ensure that no one sleep without food.

We call upon our people to dispel any form of racism. Racism is backward and barbaric. As the leadership of the Municipality, we condemn the recent brutal killing of Mr George Floyd of America by white police force. We pledge solidarity with African Americans against racism and their call that black lives matter. Our solidarity to them is based on our conviction to dispel racism and the solidarity they also pledged to South Africa during the Free Nelson Mandela campaign

Madam Speaker to demonstrate solidarity we appeal to our communities to wear black clothes on Fridays until the 26 June as a call to anti-racism and police brutality. We will also elevate racism mounted towards our people in farms, schools and social areas.

While we are on the path to build National Democratic Society, we are taken back by cases of child and women abuse. We say no to child and women abuse and appeal to our law enforcement agencies to be tough on abusers especially during this period of COVID-19 where many children and women might find themselves looked with their abusers because of lockdown regulations.

Madam Speaker there can never be nation building and social cohesion if the lives of our people are not improved. We cannot continue to have blacks as reserves workforce.

To a large extend the COVID-19 has exposed the deep inequalities in our society. While other members of the community were fighting for luxury to the level of courts, other members of the community were fighting to have a decent meal to the extent that they were prepared to be infected with COVID-19 at the expense of attaining basic food.

Madam Speaker, these are some of the things that makes us to reiterate that moving forward it cannot be business as usual. Our programmes must put youth at the centre.

Youth people of today must participate in innovation and skills revolution by creating robotics, using internet of things and digital technology.

We have learned that youth constitute majority of our society we shall therefore work with young people organised and unorganised to create economic opportunities.

Madam Speaker, we promote participatory democracy we therefore invite community of Phumelela to advice and submit ideas that will resuscitate our economy and livelihoods of our people. As the Municipality, it is our desire that citizens takes part in the affairs of the Municipality. Participating and taking part in affairs of Municipality includes taking care of our public facilities. We cannot be by-standers when our public facilities are vandalised and used in the manner that they are not intended for.

We also appeal to businesses and members of the community to pay for services they receive from the Municipality.

Honourable Councillors, as we have all seen with the tabling of the national budget in Parliament, the depreciation of our currency and of the economy has also had a negative impact on government coffers due to the Pandemic. The Corona virus has also affected local municipalities and such a downturn has led to my recommendation to this Council to grant 20% relief to monthly rates payers for a period not exceeding 3 months. The incentive will come with a condition stipulating that "should a customer default on their monthly payments to the Municipality, the relief will be revoked and interest charged on the account.

It is through such payments that we are able to extend services even to some that have not yet sufficiently received them. Note should also be taken that, as a council,

we are on the eve of our term of office. The year 2021 will mark an end to the current term of political office. In the last Local Government Elections, we have committed the following:

- Expanding the electrification programme to the remaining areas and rolling out solar energy in certain areas.
- Enhancing the capacity of municipality to accelerate upgrading and integration of informal settlements.
- Increasing the capacity of existing dams, building new dams and improving water treatment infrastructure.
- Cleaning public sanitation facilities in towns and rolling out sanitation facilities in informal settlements and rural areas.
- Intensifying cleaning campaigns in towns and townships and increasing households with access to refuse removal.
- Ensuring that tarred roads are maintained and gravel roads are graded.
- Addressing challenges related to billing systems and enhancing the system to protect indigent households.
- Mobilising funding for rehabilitation, refurbishment and replacement of ageing infrastructure.



Madam Speaker, the path to implement some of these programmes in some instances was as sharp as prickly pear thorns while in some instances was as smooth as succulent plant. The political and administrative leadership had to defy the hardships and propel the Municipality to the direction that will deliver our people to better life. In the words of Martin Luther King Jr "A genuine leader is not a searcher for consensus, but a moulder of consensus." That is exactly what we are trying to achieve.

We will now outline progress we have made since the inception of our term of office and the new priorities for 2020/2021 financial year. As we look towards the next financial year ahead, we shall and we are determined to work each day on end, tirelessly, hand in hand with our communities to fight poverty and underdevelopment.

Honourable Speaker, when passing a budget, municipalities are required to have realistic revenue expectations to ensure that outcomes can be achieved. Unrealistic revenue projections have often undermined the ability of municipalities to deliver effective services. By approving three-year budgets linked to longer-term IDPs, municipalities can adopt more forward-looking and better-informed approaches and make better judgements about future priorities for capital development and service delivery in the communities.

Honourable Speaker and fellow councillors, it is important to note that bulk of our revenue is dependent on grants from the provincial and national government.

It is therefore imperative to note that the situation compels all us to tighten our belts in terms of collection of revenue, spending trends.

Honourable Speaker and the house at large, as Phumelela Council, we should at least bow out with pride that despite the limited resources at our disposal in these past years, we were able to make notable changes in our communities around the 3 towns within our area of jurisdiction. We should also give credit to Councillors, Municipal Manager, Directors, Managers and all the staff for the work well done.

Honourable members, this budget is shaped to respond to the socio-economic challenges of the day, by reprioritizing and allocating municipal financial resources to protect critical service delivery programmes. Additionally, in our commitment to fiscal discipline, we will redirect and curb expenditure from non-core to core programmes; intensify our monitoring of the implementation and compliance to the National Treasury Instruction, which deals with Cost Containment Measures.

Madam Speaker the Council of Phumelela tabled a draft budget and IDP on the 14 May 2020. However, the municipality was unable to hold its Public meetings due to COVID 19 Regulations directing municipalities to conduct alternative ways to engage communities on the IDP and Budget. I am confident to say these documents madam Speaker were communicated to the community of Phumelela through door to door using our Ward Councillors and Ward Committees around Phumelela.

Having consulted with our relevant constituencies for their inputs and comments in our draft IDP and Budget in line with Chapter 5 of the Municipal Systems Act, Honourable members of this Council today we are in position to table a budget vote

for financial year 2020/21, 2021/2022 and 2022/23 as a document is compiled through collective efforts with our Local Communities, Sector Departments, Stakeholders and Famers Association.

**Allow me therefore honourable speaker to table before this respected council the final budget for 2020/21 to 2022/23**

Honourable councillors, the final revenue budget is anticipated to be R 169,914,00.00 in the 2020/21 financial year. The adjusted budget for 2019/20 was R167,862,000.00 - an increase of R417,000.00 from the current adjustment budget. Revenue budget for the indicative years 2021/22 and 2022/23 is anticipated to be R 182,476,000.00 and R194,964,000.00 respectively. The property rates budget of R14,865,000.00 has been calculated from the current valuation roll as implemented from our approved supplementary valuation roll 01st July 2020.

The total revenue from service charges is budgeted at an amount of R43,519,000.00 and represents 26% of the total revenue budget.

The budget for interest on outstanding debtors is anticipated at R 24,090,000.00 and represents 14% of the total revenue budget this is due to the forever increasing debtors book.

It should be noted that transfers and conditional grants to our capital budget has increased due to anticipated RBIG FUNDING to repair our Water Treatment works as well as Pump station in Warden and INEP GRANT for the electrification of houses and the upgrading of pump station.

Going to our expenses the final operating expenditure budget is anticipated to be R169,794,000.00. in the 2020/21 financial year – whilst the adjusted budget for 2019/20 was R 167,563,000.00 This is an increase of R601,000.00 from the current adjustment budget.

For employee, related costs we've budgeted R 83,316,000.00 and represents 49% of the total operating expenditure budget. An increase of 6.25% has been effected as per salary and wage collective agreement.

Remuneration of Councillors represents 4% of the total operating expenditure budget.

The budget allocated for depreciation amounts to R6,948,000.00 and represents 4% of the total operating expenditure budget.

The contracted services budget amounts to R6,296,000.00 which represents 4% of the total operating budget, included in this budget is repairs and maintenance budget and other service level related expenditure.

The budget for other expenditure amounts to R36,339,000.00 and represents 21% of the total operating expenditure budget.

In response to Covid-19 measures, the municipality has included a budget of R 650,000.00 of the final budget for hygiene services, procurement of PPE and costs relating to the disaster management.

A budget of R120,000.00 has been allocated for communications to boost public participation.

On the Budgeted Capital Expenditure by vote, and funding, the capital expenditure is anticipated to be R 58,053,000.00 in the 2020/21 financial year.

As we indicated above Madam Speaker, will receive both conditional and unconditional grants of R141,803,000, (R80,750,00.00 Conditional and R 61,053,000.00 Unconditional ) there will be an increase from 2019/20) from the allocations as per draft gazetted on Division of Revenue Act (DoRA).

The equitable share allocation is appropriated to fund municipal delivery of services through day to day operations and strategic social development programs.

Conditional capital grants (MIG, WISG & INEP) are appropriated to fund capital expenditure for water and sanitation, electrification, roads construction and others, the Conditional operational grants (FMG) are appropriated to fund expenditures related to financial reforms as per grants stipulated conditions.

The Department of Provincial Treasury is continuously assisting the municipality towards the payment of split meters for Warden and Ezenzeleni in an attempt of curbing electricity distribution losses. The municipality has received 2million within this financial year to that effect. Cognisant should also be taken that the municipality is still challenged with the shortfall to service the current account. As a corrective measure both Eskom and the Municipality are working towards the installation of prepaid meters to all municipal offices, soccer fields and municipal halls. Further installation of meters will be done to all our water and sewer infrastructure. Eskom has also been instructed to investigate the bypassing and possible illegal connection.

The department of COGTA has also offered assistance through the compilation of the financial statements to the value of 4 million. The support came as an attempt to produce credible financial statements subsequently, improving our audit outcome.

Through the intervention of the Provincial Human Settlement the Municipality has been allocated 400 RDP houses in Memel Zamani, 1000 ABT houses in Vrede Thembalihle. Notable progress has been observed on these projects.

### **Availability of land**

The Municipality has succeeded to formalise sites in the three towns around Phumelela area of jurisdiction and we are also proud madam Speaker to say, there is an advanced plan in place to avail sites to rightful owners.

The Municipality has also taken a different approach in terms of land ownership as opposed to the previous arrangement. We have identified sites in each area for

individuals who are employed by government and those that fall outside the indigent threshold (meaning those that can build their own houses).

- Out of 993 residential Sites at Ext 7,8 & 9 Ezenzeleni, 350 has been earmarked as a mixed settlement.
- Thembalihle - 1310 residential Sites of which 350 has also been identified as a mixed settlement.
- Zamani - 1171 residential sites and 150 sites have been identified for mixed settlement.

Sena sebontsha hore batho ba tla ba nalemarulelo le mobueleng wa bona.

Madam Speaker we have taken cognisance on our **Oversight role in that** we have had to ensure that we tighten the Oversight functions over our finances and performance by ensuring that the relevant oversight structures such as the Internal Audit Unit, Risk Management Unit, Audit and Performance Committee, Risk Management Committee and Section 32 committee are established.

These units worked hard to ensure that there are relevant charters, plans, methodologies and systems in place that endeavours to assist us with the improvement of internal controls.

### **Infrastructure project**

Fellow Councillors, as we take stock of our work in the financial year 2019/20, let me start by indicating that improvements to infrastructure remains the driving force behind our integrated development plans and local economic development strategies. Some infrastructure improvements aim to improve the quality of lives to local people and to further improve the economic development and job creating opportunities.

Honourable Speaker, the roads paving projects were not only vital in the improvement of standard of living of the local communities through the creation of jobs, but have also ensured that better road facilities are improved and access to good roads for them.

Improved access roads give our residents an easy access to public amenities, such as clinics, hospitals, schools, shops and recreational facilities. They also allow an easy access to their homes in cases of emergencies and disasters.

Honourable Speaker, we are happy to claim that we have **paved roads** in the following areas:

- Thembalihle 900m paving road for phase 2 and 3 was completed.
- 600m road at Ezenzeleni Phase 1 completed.

The continuous construction of roads is an attempt to improve accessibility to mobility of communities.



We also undertook the following **water and sanitation projects**:

- Replacement of Asbestos pipes to PVC pipes as part of the compliance to blue drop status in Vrede and Memel.

OUR OUTFALL SEWER AND PUMP STATION HAS BEEN REFURBISHED, THIS IS A FURTHER ATTEMPT TO COMPLY WITH GREEN DROP STATUS THROUGH WISG GRANT IN WARDEN.

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- Critical components such as Bio filters, Digesters and Chlorination room were maintained to curb the discharging of raw waste water into the river in Vrede. This has been achieved through the utilisation of own municipal funds. The municipality is further planning to regularly maintain all other components.
- The construction of bulk water supply line with associated storage tank and a pump station in Memel, Zamani is in progress. The anticipated date for completion is October 2020. The construction aims to provide water to the community and further development.
- Construction of a new 3.5 mega litre concrete reservoir phase 2 has been completed in Vrede

**5 high mast lights** have been installed in the following areas:

- Thembalihle x 3
- Ezenzeleni x 1
- Memel x 1

The installation of these high mast lights will ensure visibility in the evening at the same time ensuring safety of residents.

### **Solid Waste Management**

Madam speaker there is still a gap on solid waste management in general, the whole chain of solid waste management is highly compromised.

Therefore the Municipality realised a need to sort assistance from the Department of Environmental Affairs to compile the Integrated Solid Waste Management Plan which will enable the Municipality to solicit funding in order to implement its strategies.

The implementation will cover among others the following during the short, medium and long-term solutions:

- Purchasing of Skeeps to eradicate all dumping sites.
- Purchasing of dust bins.
- Upgrading of Landfill sites with purchasing of their relevant fleet.

Madam speaker let me also mention that the current fleet of the Municipality is very old and their condition is adversely affecting the Municipal Finances due to repairs and maintenance.

The Municipality in its management strategic planning has resolved to table to council the plan of acquiring a loan to the tune of R15million which will assist in procuring among others the following white and yellow fleet:

- Back hoe Loaders (TLB)
- Service Delivery Trucks
- Tipper Lorries
- Refuse Compactors/ Lorries

### **Fencing of cemeteries**

Madam Speaker we have restored the dignity of the "departed " by constructing the clear view (green) fencing to cemetery in Ezenzeleni/ Warden.

### **Community services**

This Department is one of the critical cornerstones of the municipality. The Department is tasked with a responsibility to look after our community halls, sports facilities, cleaning of public ablution facilities, grass cutting, cleaning of parks and cemetery as well as commonage management and animals moving astray.

Madam Speaker during the amendment of the Organisational structure, this department had a disintegrated shifting function such firefighting services and fleet management. Through our disaster management and fire services we have continued to facilitate support and activate action in cases of emergencies and disasters. Three houses were affected by fire and we unfortunately experienced loss of life in the process. May his soul rest in eternal peace.

Honourable Speaker, our municipality is also charged with several functions that are entirely community based, and are directed towards creating awareness to improve livelihoods of our communities through education campaigns. These functions are firefighting services and Disaster Management, HIV and AIDS, Gender and disability, as well as Arts, Culture, Heritage and Sports.

### **Construction of sport and recreational facilities.**

The Warden Phase 3 construction of sports facility was delayed due to late approval by the department of Sports. The allocation for the stadium was redirected towards the committed MIG funds in Memel.

### **Electrification**

I must pause here and thank the people of Warden for their patience regarding the challenge of electricity. I can safely say that today, the Municipality amid its financial constraints, is slowly attending to ageing infrastructure.

Zamani Memel will benefit from the electrification of more houses and the upgrading of substation through the INEP project. Madam Speaker the project I am making reference to, is close to my heart, because Eskom did not have a budget allocated but the municipality went out and explored external funding. It is unfortunate Councillors from Memel that the INEP budget for the Electricity has been reduced to R16 020 000 million as opposed to 24m that was gazetted.

The long overdue electrification will also benefit the residence of Ext 4 in terms of the electrification of 256 houses by Eskom. This should also not go unnoticed because there were serious and huge efforts in trying to persuade Eskom to electrify the area.

Now zooming a bit into operational budget of the municipality, there is an outcry in terms of potholes and street lights. To deal with this, we have put aside an amount to address such challenges.

The Director Technical has also invested in imparting skill to road maintenance officials on the resealing and resurfacing of the roads to support the initiatives that are helping us towards the realisation of these goals.

Honourable Speaker, these infrastructure projects have created 91 (ninety one) jobs, out of which 10 job opportunities were for women, and 33 for youth and while 6 were for people with disabilities and 25 for adult men.

**A total amount of R57 619 000 million (Fifty seven million six hundred and nineteen thousand) was spent on infrastructure projects.**

### **Service delivery complains management one stop centre**

Madam Speaker our ageing infrastructure is posing serious challenges where community is directly reporting to different officials on critical queries affecting service delivery. In this regard, the Municipality has an intention to establish service delivery customer complain platform where a warm body has been designated to manage quires and provide feedback on service delivery related matters. The whatsapp and sms number will be issued in due course.

### ***Poverty alleviation and local economic development.***

Honourable Speaker, efforts to push back the frontiers of poverty requires a collective effort from the government, business and civil society.

This will also require us as the municipality to continue with our poverty alleviation programme to assist the destitute families in our municipality.

### **Local Economic Development**

The municipality has realised that its strategy has come off age, and as such needs to be reviewed. There is an undertaking to support Phumelela by both COGTA and District in the review of the strategy. The municipality has established 91 COOPERATIVES of which only 30 are active.

Our service level agreement with SEDA is still in place to support emerging and existing business. This initiative is a plan to bring services to the people and to shift dependency from our Municipality. Moketa hotsoswa o itekang.

### **Bursaries**

Honourable Speaker, it gives me great pleasure to report to this august house that during the current term of this Council, we offered bursaries to **37 students** to study at various institutions of higher learning.

Even in the next financial year, Honourable Speaker, we will continue offering bursaries to the needy and qualifying students. An amount of R500,000.00 has been set aside for bursaries. This amount has been reduced due to free education initiative by the former President.

### **Human Resources**

Honourable Speaker, for us as the municipality to deliver on our mandate, we have to make sure that we fill critical posts with qualifying and competent staff, capacitate our staff and councillors as a result, we have put in place the skills development plan.

We have thus far during the term of Council filled 10 positions.

We managed to enrol 30 officials and 4 Councillors on minimum competency requirement certificate (MFMP).

Our officials continue to be skilled in different training fields.

We have also been able to enrol the Municipal Manager and 3 Directors on a Senior Management Development programme.

We have granted (6) graduates internship opportunities as part of workplace experience in various units of the municipality through funding FMG and Tourism.

The following are the training intervention for **unemployed youth**

19 x Motor mechanic (Auto Electrical) (Vrede, Memel and Warden)

20 x Water and waste water management in (Memel)

31 x Hygiene and cleaning (Vrede, Warden and Memel)

100 x Construction supervision (Warden)

50 x Construction Supervision (Vrede)

50 x Health and Safety in construction (Memel)

125 x Road works construction (25 Warden, 50 Vrede and 50 Memel)

25 x Plumbing (Warden)

### **Performance Management**

We have also introduced the Performance Management System to senior managers so as to ensure that we measure and monitor the performance of each and every directorate in the municipality. This is important in ensuring that we do deliver in our promises as per our plans, budget and service delivery budget implementation plan. We further intend cascading performance to middle managers.

### **Special Programmes**

Fellow Councillors, among others, our budget allocations also cater for issues such as youth development, gender and disabilities programmes, skills development, awareness campaigns, HIV & AIDS programmes, sports development, employee



wellness programmes and Information and Communications Technology programming. These programmes are key and special focus should be given to my office.

We will also continue to work in collaboration with our District municipalities and provincial government in many other programmes and activities undertaken within our Municipality.

### **Tarrief Increase**

- Property rates tariff is proposed to increase by 4.5% for the 2020/21 financial.
- On Service Charges: The electricity tariff is proposed to increase by 6.22% as per NERSA guidelines,
- whilst refuse tariffs are proposed to increase by 4.5% and all other tariffs are proposed to increase by 4.5%.
- Rental of Facilities is proposed to increase 4.5%

### **On Employee Related Costs Increase**

As per circular N0.: 02/2020 from SALGA the salary and wage increase shall be 6.25% for the period 1 July 2020 to 30 June 2021, the municipality has effected the increase as stipulated on the circular.

Honourable Speaker, we want to make our firm undertaking to the people of Phumelela, that we will do all we can to protect key programmes and priorities of government, so that we do not lose sight of our vision of growing Phumelela together.

As I conclude, let me offer my gratitude to the honourable Speaker, Chief Whip of the ruling party, my colleagues in the Executive Committee, Councillors, Municipal Manager Mme Nomvula Malatjie and your team for their guidance and contribution into this budget process.

To the people of Phumelela, we really appreciate your role and contribution in moving Phumelela forward. In this list we include our sector departments and various social partners.

To my beloved family my wife and kids you have been my rock and pillar of strength. I would have not made it without your unweaning support.

Madam Speaker it is therefore our recommendation that the Council resolves the following,

## 1.2 COUNCIL RESOLUTIONS

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### ITEM :

**RE: APPROVAL OF THE 2020/21 – 2022/23 FINAL CAPITAL AND OPERATING BUDGET AND IDP DOCUMENT**

### **RESOLVED**

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#### RECOMMENDATIONS

- That Council note the content of the report on this item
- That council approves the Final Operating Budget and Capital Budget of the Municipality for the 2020/2021 MTREF and the two projected outer years 2021/2022 and 2022/2023 as set out in the following tables:
  - Table A1 – Budget Summary
  - Table A2 – Budgeted Financial Performance (revenue and expenditure by standard classification)
  - Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)
  - Table A4 – Budgeted Financial Performance (revenue and expenditure)
  - Table A5 – Budgeted Capital Expenditure by vote, standard classification and funding
  - Table A6 – Budgeted Financial Position
  - Table A7 – Budgeted Cash flows
  - Table A8 – Cash backed reserves/accumulated surplus reconciliation
  - Table A9 – Asset Management
  - Table A10 – Basic Service delivery measurement
- That Council approves and adopt the budget related policies as reviewed  
The reviewed policies are as follows:
  - Property Rates Policy
  - Infrastructure Procurement and Delivery Management Policy
  - Tariff and Services Policy
  - Indigent Policy (Amended)
  - Credit Control and Debt Collection Policy
  - Supply Chain Management Policy
  - Bank and Investment Policy
  - Budget and Virements Policy
  - Debt impairment Policy
  - SPLUMA Tariffs
  - Accounting policies
  - Travel and Subsistence Policy
- That council approves and adopt the new final tariffs for the different services and rates and taxes to be implemented as from the 1 July 2020 as outlined on Annexure A (The increases are as follows:
  - Property Rates 4.5 % (2020/21), 4.6% (2021/22), 4.6% (2022/23)
  - Water 4.5 % (2020/21), 4.6% (2021/22), 4.6% (2022/23)
  - Sanitation 4.5 % (2020/21), 4.6% (2021/22), 4.6% (2022/23)
  - Refuse 4.5 % (2020/21), 4.6% (2021/22), 4.6% (2022/23)
  - Electricity 6,22 % (2020/21), 4.6% (2021/22), 4.6% (2022/23)
- That council take notice that the measurable performance objectives must still be determined for the budget year 2020/2021

Signed by.....  
**CLLR T.J. MOTAUNG (MAYOR)**

.....  
**DATE**

## **1.3 EXECUTIVE SUMMARY**

### **1.3.1 Background**

This final budget of Phumelela Local Municipality is compiled in accordance with prescribed legislative frameworks for the MTREF that is due to start on the 1 July 2020 to June 2021. According to section 16(2) of the MFMA, read together with section 215 of the constitution, the Mayor should at least 90 days before the beginning of every financial year table an annual budget for consultation to Council. This budget is, therefore, tabled to Council for consultation as operating and capital budget of the municipality for the financial year 2020/2021 and for the two projected outer years (2021/2022 and 2022/2023).

Section 24 of the MFMA requires that, the municipal council must at least 30 days before the start of the New Year consider the approval of the annual budget. This budget will be approved by the municipal council on or before the 30th June 2020. This document was prepared with serious consideration of the local socio-economic scene and the continuous increase in unemployment and poor standard of living within our community. The municipality must thus, make initiatives to combat the challenges of poverty, unemployment and inequality through enhancement of projects that will encourage local economic development and other employment creation initiatives to improve lives of its community.

The municipality's cash flow trend is not good; this is due to poor debtors' collection and creditors' control. The community has been encouraged to come forth and register as indigents, as and when they qualify in accordance with the set criteria. This will help the municipality in cash forecasting and budget for realisable goals. Despite the current cash flow challenges, we are striving to improve the current status of service delivery through implementation of various cost saving measures and controls.

The Office of Budget and Treasury under the auspices of the CFO shall oversee the whole budgeting process, budget implementation and the monitoring thereof. All sections are advised to start saving costs in performing their duties yet maximising their performance. The following are some of the most overspending expenditure votes that should be seriously controlled: telephone, travel and subsistence, overtime, print and stationery. Every employee of the municipality shall take the ownership of this document and ensure maximum service delivery through implementation of the IDP priorities as set.

The municipality continues to provide for free basic water, electricity, sanitation and refuse-removal services but only to indigents and up-to a set benchmark. For the 2020/2021 MTREF, the indicative allocations for 2021/22 and 2022/23 have been calculated taking into account provisions of circular 98 of the MFMA issued in 06 December 2019 and circular 99 issued on the 9th of March 2020. Electricity bulk price increases and benchmark determined by NERSA for the 2020/21 MTREF, for the Final budget the Municipality increased the electricity tariffs with the 6.22% as per guide by NERSA, CPI forecast of 4.5 percent in 2020/2021 and 4.6 percent in 2021/22 and 4.6 percent in 2022/21 as well as household growth in line with the period between 2001 and 2011. These variables will be updated in future budgets to reflect any changes in the growth in prices and/or change in affordability of our communities.

### **1.3.2 Overview**

The application of sound financial management principles for the compilation of PLM's financial plan is essential and critical to ensure that PLM remains financially viable and that municipal services are provided sustainably, economically and equitably to all its communities. PLM's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. This exercise has resulted in a surplus of R0,120m for the first financial year of the MTREF. The PLM has also introduced strategic measures to encourage consumers to pay their arrear debt.

National Treasury's MFMA Circular No. 98 and 99 were used to guide the compilation of the 2020/2021 MTREF. The main challenges experienced during the compilation of the 2020/2021 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Covid19 epidemic facing the country
- Aging and poorly maintained water, sanitation, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the given income base;
- The increased cost of electricity (due to tariff increases introduced by NERSA). This is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable as there will be a point where services will no longer be affordable; and
- Salary increases for municipal staffs that continue to exceed consumer inflation, as well as the need to fill critical vacancies.

The following budget principles and guidelines directly informed the compilation of the 2020/2021 Final MTREF:

- The 2019/2020 Mid-year Budget Performance Report priorities and targets, as well as the base line allocations contained in the budget were adopted where applicable as the upper limits for the new baselines for the 2020/2021 final budget;
- Current service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Where tariffs were increased, affordability and the inflation rate as measured by the CPI were considered, price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity were also considered. In addition, MFMA Circular 98 and 99 were also considered. In these Circulars municipalities are urged to move towards tariffs that are cost reflective, and take into account the need to address infrastructure backlogs;
- There will be no amounts budgeted for national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- An upper limit was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
  - Consultant Fees – This is limited to existing contracts as well as where the municipality does not have the necessary skills.
  - Furniture and office equipment (inventory) - The budget for these is limited to the requirements for new positions and existing staff that do not have furniture
  - Special Events (disaster management, farmers' support);
  - Refreshments and entertainment;
  - Subsistence and Travelling – The budget for this has been centralised in the Municipal Managers office, and all travelling is pre-authorised by her.
  - Overtime – The budget for this item is meant for extreme cases, where no alternative is available

In view of the executive summary, the following table is a consolidated overview of the 2020/2021 Medium-Term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2020/2021 MTREF**

Description	BUDGET 2020/2021 R'000	BUDGET +1 2021/2022 R'000	BUDGET +2 2022/2023 R'000
<b>Operating Revenue</b>	169 914	182 476	194 964
<b>Operating Expenditure</b>	169 794	182 297	194 314
<b>Surplus/(Deficit)</b>	120	179	649
<b>Capital Expenditure</b>	58 053	47 686	50 347



Total operating expenditure for the 2020/2021 financial year has been appropriated at R 169,794 m and translates into a budgeted operating surplus of R0,120m. When compared to the 2019/2020, operating surplus is anticipated to increase by 3.4% percent in the 2020/2021. The operating surplus for the two outer years increases to of R0,179m in 2021/222 and a surplus of R0,649m is projected for 2022/23.

However, when the non-cash entries are deducted, a higher cash surplus is realised. Therefore, the budget is cash backed.

The capital budget of R 58 053 m for 2020/2021 is 13% percent more when compared to the 2019/2020 Budget. The increase is due to the slight increase in funding from the national government for 2020/21. The capital programme slightly decreases to R47,686m in the 2021/2022 financial year and then slightly increases in 2022/2023 to R50,347m. All of these projects (100 percent) of the capital budget will be funded from government grants namely, the Municipal Infrastructure Grant, Integrated National Electrification Programme Grant and Water Service Infrastructure Grant. Other projects are not reflected on our budget as they fall within the scope of provincial and national government programmes

### **1.3.3 Operating revenue and expenditure framework**

For PLM to continue improving the quality of services provided to its residents it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macro-economic policy;
- Growth in the PLM and continued economic development;
- Efficient revenue management, which aims to eventually achieve an 80 percent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the PLM.
- The municipality's adopted financial recovery plan

**Table 2: The following table is a summary of the 2020/2021 MTREF (classified by main revenue and expenditure source):**

**FS195 Phumelela - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
<b>Revenue By Source</b>											
Property rates	2	11 871	13 480	12 999	13 232	13 232	13 232	13 232	14 865	15 549	16 277
Service charges - electricity revenue	2	7 765	9 186	6 396	9 133	9 133	9 133	9 133	15 601	15 305	15 258
Service charges - water revenue	2	9 276	10 974	9 566	13 203	13 203	13 203	13 203	8 579	12 312	16 370
Service charges - sanitation revenue	2	7 152	8 462	5 747	10 642	14 759	14 759	14 759	10 285	10 753	11 244
Service charges - refuse revenue	2	6 662	7 882	10 085	10 095	12 313	12 313	12 313	9 055	9 455	9 873
Rental of facilities and equipment		392	1 290	889	4 465	2 176	2 176	2 176	750	788	830
Interest earned - external investments		222	454	19 255	220	220	220	220	259	270	283
Interest earned - outstanding debtors		9 272	9 215	1 063	12 648	19 688	19 688	19 688	24 090	25 247	26 459
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits		239	51	230	57	145	145	145	152	159	166
Licences and permits		-	-	-	26	43	43	43	45	47	50
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		62 935	74 004	85 497	79 331	81 331	81 331	81 331	83 750	90 004	95 460
Other revenue	2	4 911	66 924	13 343	1 584	1 619	1 619	1 619	2 482	2 586	2 695
<b>Gains</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>120 697</b>	<b>201 924</b>	<b>165 070</b>	<b>154 638</b>	<b>167 863</b>	<b>167 863</b>	<b>167 863</b>	<b>169 914</b>	<b>182 476</b>	<b>194 964</b>
<b>Expenditure By Type</b>											
Employee related costs	2	55 743	59 010	64 892	75 450	75 412	75 412	75 412	83 316	88 097	93 300
Remuneration of councillors		5 282	6 011	6 209	6 477	6 481	6 481	6 481	6 774	7 165	7 581
Debt impairment	3	36 128	32 207	60 998	10 709	15 681	15 681	15 681	10 486	15 571	16 287
Depreciation & asset impairment	2	17 191	19 901	23 005	2 300	6 649	6 649	6 649	6 948	7 267	7 602
Finance charges		30 268	13 420	16 258	1 718	3 628	3 628	3 628	3 792	1 966	4 149
Bulk purchases	2	30 543	32 700	40 961	15 162	15 162	15 162	15 162	15 844	17 573	18 835
Other materials	8	5 676	-	-	-	-	-	-	-	-	-
Contracted services		8 219	21 707	9 727	4 522	6 025	6 025	6 025	6 296	6 586	6 889
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4,5	19 160	23 922	35 953	38 207	38 526	38 526	38 526	36 339	38 072	39 672
<b>Losses</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>208 210</b>	<b>208 878</b>	<b>238 004</b>	<b>154 546</b>	<b>167 564</b>	<b>167 564</b>	<b>167 564</b>	<b>169 794</b>	<b>182 297</b>	<b>194 314</b>
<b>Surplus/(Deficit)</b>		<b>(87 513)</b>	<b>(6 954)</b>	<b>(92 934)</b>	<b>92</b>	<b>299</b>	<b>299</b>	<b>299</b>	<b>120</b>	<b>179</b>	<b>649</b>
(monetary allocations) (National / Provincial and District)		64 481	88 535	35 145	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; Taxation</b>		<b>(23 033)</b>	<b>81 580</b>	<b>(57 788)</b>	<b>92</b>	<b>299</b>	<b>299</b>	<b>299</b>	<b>120</b>	<b>179</b>	<b>649</b>
<b>Surplus/(Deficit) after taxation</b>		<b>(23 033)</b>	<b>81 580</b>	<b>(57 788)</b>	<b>92</b>	<b>299</b>	<b>299</b>	<b>299</b>	<b>120</b>	<b>179</b>	<b>649</b>
Attributable to minorities		-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to</b>		<b>(23 033)</b>	<b>81 580</b>	<b>(57 788)</b>	<b>92</b>	<b>299</b>	<b>299</b>	<b>299</b>	<b>120</b>	<b>179</b>	<b>649</b>
Share of surplus/ (deficit) of associate	7	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>		<b>(23 033)</b>	<b>81 580</b>	<b>(57 788)</b>	<b>92</b>	<b>299</b>	<b>299</b>	<b>299</b>	<b>120</b>	<b>179</b>	<b>649</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfer and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Revenue generated from rates and service charges forms a significant part of the revenue base of the PLM. Rates and service charge revenues comprise just above half of the total revenue mix.

In the 2020/2021 financial year, revenue from rates and services charges totalled R58,385m or 34 percent of the operating revenue. This increases to R 63,374m and R 69,021m in the respective financial years of the MTREF; this will be achieved through robust implementation of debt collection and credit control policy. A notable trend of continuous increase in the total percentage revenue is envisaged to be generated from rates and services charges. This growth can be mainly attributed to an increase in the number of farms that are to be billed as well as the inclusion of new settlements in our billing records. The above table takes into account revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

The PLM's expenditure framework for the 2020/2021 budget and MTREF is informed by the following:

- Repairs and maintenance backlogs;
- Balancing the budget (operating expenditure should not exceed operating revenue unless there are existing uncommitted cash-backed reserves to fund any deficit);
- Funding of the budget over the medium term as informed by Section 18 and 19 of the MFMA;
- The capital programme and backlog eradication; and
- Funding the capital budget and other core services by operational gains and efficiencies.

The budgeted allocation for employee related costs for the 2020/2021 financial year totals R 83,316m, which equals 49,06 percent of the total operating expenditure. Based on the South African Local Government Bargaining Council, salaries have been budgeted at a rate of 6.25 percent for the 2020/2021 and annual increase of 5.6 percent in the two outer years of the MTREF respectively. Please note that these costs are the combination of salaries, social contributions and allowances. As part of the PLM's cost reprioritization and cash management strategy, vacancies have been significantly restructured. Most vacancies of critical and strategic positions were filled and that were not filled were also taken into account when this budget was compiled. In addition, expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration and allowances of councillors were determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, no. 20 of 1998. This expenditure item is curbed at R6,774m representing 3,9 percent of the operating budget. In compiling the salary budget for Councillors, an increase was provided based on the most recent proclamation.

Finance charges consist primarily of the repayment of interest (cost of capital) on long term loans. This interest makes up 2 percent R3,792m of the operating expenditure excluding annual redemption for 2020/2021 and increases to R1,966m by 2021/2022 and further increase to R4,149m in 2022/2023.

Bulk purchases are directly informed by the purchase of electricity from Eskom and Department of Water Affairs. The annual price increases have been accounted for in the budget appropriations and directly inform the revenue provisions. The expenditure includes distribution losses resulting from illegal connections, faulty meters and tempering. Bulk purchases are budgeted at R2,215m and R13,629m for electricity and water respectively which totals to 9,3 percent of the overall operating expenditure.

Contracted services have been identified as a cost saving area for the PLM. As part of the compilation of the 2020/2021 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. Contracted services constitute only R6,296m representing 3.7 percent of the total operating expenditure.

Other expenditure comprises of repairs and maintenance, operational provisions and various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved and is budgeted at R36,339m or 21 percent of the operating budget

Operating grants and transfers totals R83,750m in the 2020/2021 financial year, and increases to R90,004m by 2021/22 and R95,460m in 2022/2023.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the PLM. National Treasury continues to encourage municipalities to ensure that rates, tariffs and other charges are cost-reflective yet keeping increases as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 4.5 percent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increase of Eskom bulk tariffs is far beyond the mentioned inflation target. Given that, these tariff increases are determined by external agencies, the impact they have on the municipality's

electricity tariffs are largely outside the control of the PLM. Discounting the impact of these price increases by lowering consumer tariffs will erode the PLM's future financial position and viability.

It must also be appreciated that the inflation, as measured by consumer price index (CPI), is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity, petrol, diesel, chemicals, cement etc. The current challenge facing the PLM is managing the gap between these cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.

### 1.3.5 Capital expenditure

**Table 3: Detailed capital budget per individual project**

Project Description	2020/21	2021/22	2022/23
PMU	660 000,00	1 121 300,00	1 175 950,00
Memel/Zamani: Construction of a water supply line with associated storage and a pump station	3 551 571,03	5 032 703,67	-
Vrede/Thembalihle: Construction of 500m of paved road and storm water	3 786 606,15	-	-
Memel/Zamani: Construction of 1.0km of paved road and storm water	3 786 606,15	2 190 000,00	-
Warden/Ezenzeleni: Upgrading of sports facility phase 4	996 345,05	502 218,21	-
Vrede/ Thembalihle: Replacement of AC Pipes into PVC Pipes	2 000 000,00	-	-
Thembalihle/Vrede: Upgrading of outfall sewer	8 151 871,62	4 146 570,14	-
Phumelela: Installation of high mast lights	-	2 700 000,00	-
Phumelela: Fencing of cemeteries	-	-	2 787 197,21
Drilling and Equipping of boreholes on Emphasis to combat the spread on Covid19	3 000 000,00	-	-
Memel/Zamani: Construction of water reticulation for 500 sites in Lindelani.	-	-	14 138 637,00
Warden/Ezenzeleni: Construction of water reticulation for 485 sites.	-	6 733 207,98	5 417 215,71
Warden/Ezenzeleni: Upgrade of sewer line revamping of pump station NO3 and waste water works	16 100 000,00	22 260 000,00	23 328 000,00
Memel Zamani: Electrification of 911 sites	16 020 000,00	3 000 000,00	3 500 000,00
<b>Parent Capital expenditure</b>	<b>58 053 000,00</b>	<b>47 686 000,00</b>	<b>50 347 000,00</b>

In 2020/2021 an amount of R 58,053m has been appropriated for the development of infrastructure around the three units of the municipality. An amount equal to R20,933m of the overall funding of these projects will be received from MIG, R21,100m will be from Water Service Infrastructure Grant and R16,010m From Integrated National Electrification Programme Grant. WSIG receives the highest allocation of R21,100m equalling 36 percent of the total capital budget.

### 1.4 ANNUAL BUDGET TABLES- PARENT MUNICIPALITY

The following pages present the ten main budget tables as required in terms of regulation 8 of the Municipal Budget and Reporting Regulations-Part 2 regulation 6. These tables set out the municipality's 2020/2021 budget and MTREF as final to the Council. Each table is accompanied by explanatory notes.



**Table 4 (Table A1) – Budget Summary**

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
<b>R thousand</b>	<b>1</b>										
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Council And Executive		–	–	–	–	–	–	–	–	–	–
Vote 2 - Financial And Administration Services		268	206	238	–	–	–	–	–	–	–
Vote 3 - Planning and Development		–	–	–	1 052	1 052	1 052	1 052	660	1 121	1 176
Vote 4 - Community and Social Services		–	–	1 140	2 936	3 500	3 500	3 500	–	–	2 787
Vote 5 - Public Safety		–	–	–	–	–	–	–	–	–	–
Vote 6 - Sports and Recreation		4 052	9 645	221	1 797	800	800	800	996	502	–
Vote 7 - Waste Management		–	–	–	–	–	–	–	–	–	–
Vote 8 - Waste Water Management		–	–	–	13 718	7 658	7 658	7 658	16 100	22 260	23 328
Vote 9 - Road Transport		6 173	8 221	12 380	–	2 504	2 504	2 504	7 573	2 190	–
Vote 10 - Water		53 550	79 167	17 512	23 345	36 595	36 595	36 595	16 703	18 612	19 556
Vote 11 - Electricity		664	2 731	10 485	8 360	8 511	8 511	8 511	24 349	3 000	3 500
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
<b>Capital single-year expenditure sub-total</b>		<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>66 382</b>	<b>47 686</b>	<b>50 347</b>
<b>Total Capital Expenditure - Vote</b>		<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>66 382</b>	<b>47 686</b>	<b>50 347</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		<b>268</b>	<b>206</b>	<b>238</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Executive and council		–	–	–	–	–	–	–	–	–	–
Finance and administration		268	206	238	–	–	–	–	–	–	–
Internal audit		–	–	–	–	–	–	–	–	–	–
<b>Community and public safety</b>		<b>4 052</b>	<b>9 645</b>	<b>1 361</b>	<b>4 733</b>	<b>4 300</b>	<b>4 300</b>	<b>4 300</b>	<b>996</b>	<b>502</b>	<b>2 787</b>
Community and social services		–	–	1 140	2 936	3 500	3 500	3 500	–	–	2 787
Sport and recreation		4 052	9 645	221	1 797	800	800	800	996	502	–
Public safety		–	–	–	–	–	–	–	–	–	–
Housing		–	–	–	–	–	–	–	–	–	–
Health		–	–	–	–	–	–	–	–	–	–
<b>Economic and environmental services</b>		<b>6 173</b>	<b>8 221</b>	<b>12 380</b>	<b>1 052</b>	<b>3 557</b>	<b>3 557</b>	<b>3 557</b>	<b>8 233</b>	<b>3 311</b>	<b>1 176</b>
Planning and development		–	–	–	1 052	1 052	1 052	1 052	660	1 121	1 176
Road transport		6 173	8 221	12 380	–	2 504	2 504	2 504	7 573	2 190	–
Environmental protection		–	–	–	–	–	–	–	–	–	–
<b>Trading services</b>		<b>54 214</b>	<b>81 898</b>	<b>27 997</b>	<b>45 423</b>	<b>52 763</b>	<b>52 763</b>	<b>52 763</b>	<b>57 152</b>	<b>43 872</b>	<b>46 384</b>
Energy sources		664	2 731	10 485	8 360	8 511	8 511	8 511	24 349	3 000	3 500
Water management		53 550	79 167	17 512	23 345	36 595	36 595	36 595	16 703	18 612	19 556
Waste water management		–	–	–	13 718	7 658	7 658	7 658	16 100	22 260	23 328
Waste management		–	–	–	–	–	–	–	–	–	–
<b>Other</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>66 382</b>	<b>47 686</b>	<b>50 347</b>
<b>Funded by:</b>											
National Government		64 708	99 970	41 976	51 208	60 620	60 620	60 620	66 382	47 686	50 347
Provincial Government		–	–	–	–	–	–	–	–	–	–
District Municipality		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		–	–	–	–	–	–	–	–	–	–
<b>Transfers recognised - capital</b>	<b>4</b>	<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>66 382</b>	<b>47 686</b>	<b>50 347</b>
<b>Borrowing</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Internally generated funds</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Capital Funding</b>	<b>7</b>	<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>66 382</b>	<b>47 686</b>	<b>50 347</b>

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	11 871	13 480	12 999	13 232	13 232	13 232	13 232	14 865	15 549	16 277
Service charges	30 855	36 505	31 794	43 074	49 408	49 408	49 408	43 519	47 825	52 745
Investment revenue	222	454	19 255	220	220	220	220	259	270	283
Transfers recognised - operational	62 935	74 004	85 497	79 331	81 331	81 331	81 331	83 750	90 004	95 460
Other own revenue	14 814	77 481	15 525	18 781	23 672	23 672	23 672	27 520	28 827	30 199
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>120 697</b>	<b>201 924</b>	<b>165 070</b>	<b>154 638</b>	<b>167 863</b>	<b>167 863</b>	<b>167 863</b>	<b>169 914</b>	<b>182 476</b>	<b>194 964</b>
Employee costs	55 743	59 010	64 892	75 450	75 412	75 412	75 412	83 316	88 097	93 300
Remuneration of councillors	5 282	6 011	6 209	6 477	6 481	6 481	6 481	6 774	7 165	7 581
Depreciation & asset impairment	17 191	19 901	23 005	2 300	6 649	6 649	6 649	6 948	7 267	7 602
Finance charges	30 268	13 420	16 258	1 718	3 628	3 628	3 628	3 792	1 966	4 149
Materials and bulk purchases	36 219	32 700	40 961	15 162	15 162	15 162	15 162	15 844	17 573	18 835
Transfers and grants	-	-	-	-	-	-	-	-	-	-
Other expenditure	63 507	77 836	106 678	53 439	60 232	60 232	60 232	53 121	60 229	62 848
<b>Total Expenditure</b>	<b>208 210</b>	<b>208 878</b>	<b>258 004</b>	<b>154 546</b>	<b>167 564</b>	<b>167 564</b>	<b>167 564</b>	<b>169 794</b>	<b>182 297</b>	<b>194 314</b>
<b>Surplus/(Deficit)</b>	<b>(87 513)</b>	<b>(6 954)</b>	<b>(92 934)</b>	<b>92</b>	<b>299</b>	<b>299</b>	<b>299</b>	<b>120</b>	<b>179</b>	<b>649</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	64 481	88 535	35 145	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions) & Transfers and subsidies - capital (in-kind - all)	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; Share of surplus/ (deficit) of associate</b>	<b>(23 033)</b>	<b>81 580</b>	<b>(57 788)</b>	<b>92</b>	<b>299</b>	<b>299</b>	<b>299</b>	<b>120</b>	<b>179</b>	<b>649</b>
<b>Surplus/(Deficit) for the year</b>	<b>(23 033)</b>	<b>81 580</b>	<b>(57 788)</b>	<b>92</b>	<b>299</b>	<b>299</b>	<b>299</b>	<b>120</b>	<b>179</b>	<b>649</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>66 382</b>	<b>47 686</b>	<b>50 347</b>
Transfers recognised - capital	64 708	99 970	41 976	51 208	60 620	60 620	60 620	66 382	47 686	50 347
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funds</b>	<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>66 382</b>	<b>47 686</b>	<b>50 347</b>
<b>Financial position</b>										
Total current assets	15 211	34 858	24 451	111 698	129 659	129 659	129 659	185 544	272 968	400 644
Total non current assets	701 125	836 136	845 758	932 625	938 563	938 563	938 563	1 360 916	1 986 937	2 900 929
Total current liabilities	197 587	229 443	285 571	77 027	77 027	77 027	77 027	111 690	163 067	238 078
Total non current liabilities	70 873	42 480	43 357	37 211	55 172	55 172	55 172	79 999	116 799	170 526
Community wealth/Equity	447 876	599 069	541 281	930 085	936 023	936 023	936 023	1 354 771	1 980 040	2 892 969
<b>Cash flows</b>										
Net cash from (used) operating	66 460	66 494	37 987	51 408	67 204	67 204	67 204	73 406	54 647	60 547
Net cash from (used) investing	(64 708)	(59 409)	(41 971)	(51 208)	(51 208)	(51 208)	(51 208)	(66 382)	(47 686)	(50 347)
Net cash from (used) financing	(1 042)	(385)	(297)	(168)	(126)	(126)	(126)	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>1 182</b>	<b>7 882</b>	<b>3 601</b>	<b>64</b>	<b>19 527</b>	<b>19 527</b>	<b>19 527</b>	<b>10 625</b>	<b>17 586</b>	<b>27 786</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	1 182	7 882	3 601	64	9 025	9 025	9 025	10 625	17 586	27 786
Application of cash and investments	178 507	220 944	274 035	1 181	8 440	8 440	8 440	8 116	10 992	12 225
<b>Balance - surplus (shortfall)</b>	<b>(177 325)</b>	<b>(213 062)</b>	<b>(270 434)</b>	<b>(1 117)</b>	<b>585</b>	<b>585</b>	<b>585</b>	<b>2 509</b>	<b>6 594</b>	<b>15 562</b>
<b>Asset management</b>										
Asset register summary (WDV)	835 671	845 317	932 625	938 563	938 563	938 563	938 563	1 360 916	1 986 937	2 900 929
Depreciation	17 191	19 901	23 005	2 300	6 649	6 649	6 649	6 948	7 267	7 602
Renewal and Upgrading of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	7 580	3 822	3 489	9 311	9 311	9 311	9 311	13 962	14 605	15 276
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	3 014	3 014	3 159	3 310
Revenue cost of free services provided	-	-	-	2 862	2 862	2 862	4 134	4 134	4 333	4 541
<b>Households below minimum service level</b>										
Water:	0	0	0	0	0	0	0	0	0	0
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	2	2	2	2	2	2	2	2	2	2
Refuse:	2	2	2	2	2	2	2	2	2	2

## Explanatory notes on Table A1 – Budget Summary

- Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flows, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial Management reforms emphasise the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow, as well as the capital budget. The Budget Summary provides the key information in this regard:
  - The operating surplus/deficit (after Total Expenditure) is positive over the MTREF

- b. Capital expenditure is balanced by capital funding sources, of which
  - i. Transfers recognised is reflected in the Financial Performance Budget;
  - ii. Borrowing is incorporated in the net cash from financing in the Cash Flow Budget;
  - iii. Internally generated funds are financed from a combination of the current operating surplus, accumulated cash-backed surpluses from previous years and envisaged budget year revenue collection. The amount is incorporated in the Net cash from investing in the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving, indicates that the necessary cash resources are available to fund the Capital Budget.
- 4. The cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations were not cash-backed. This has placed the municipality in a very vulnerable financial position. Consequently, Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. It can therefore be seen that over the MTREF there is progressive improvement in the level of cash-backing of obligations showing an ultimate surplus.
- 5. Even though the council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs

**Table 5 (Table A2) Budgeted Financial Performance (revenue and expenditure by standard classification)**

FS195 Phumelela - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		153 892	241 385	166 389	97 868	100 230	100 230	93 978	100 682	106 621
Executive and council		2 470	3 874	2 671	3 423	3 423	3 423	3 423	3 565	3 713
Finance and administration		151 422	237 511	163 718	94 445	96 807	96 807	90 555	97 117	102 908
Internal audit		—	—	—	—	—	—	—	—	—
<i>Community and public safety</i>		139	218	150	204	204	204	213	223	233
Community and social services		139	218	150	204	204	204	213	223	233
Sport and recreation		—	—	—	—	—	—	—	—	—
Public safety		—	—	—	—	—	—	—	—	—
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		264	414	285	727	834	834	837	875	916
Planning and development		25	39	27	670	689	689	685	717	749
Road transport		239	375	259	57	145	145	152	159	166
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		30 883	48 441	33 391	55 838	66 594	66 594	74 886	80 696	87 194
Energy sources		7 790	12 219	8 423	14 444	17 757	17 757	28 658	28 988	29 599
Water management		9 278	14 553	10 032	15 513	15 519	15 519	13 545	17 516	21 824
Waste water management		7 152	11 218	7 733	13 313	17 430	17 430	16 146	16 897	17 682
Waste management		6 662	10 450	7 203	12 568	15 888	15 888	16 536	17 295	18 089
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
<b>Total Revenue - Functional</b>	<b>2</b>	<b>185 178</b>	<b>290 459</b>	<b>200 215</b>	<b>154 638</b>	<b>167 863</b>	<b>167 863</b>	<b>169 914</b>	<b>182 476</b>	<b>194 964</b>
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		56 321	56 501	69 790	70 049	74 522	74 522	74 887	76 932	82 983
Executive and council		14 467	14 513	17 927	22 097	22 246	22 246	21 951	23 028	23 961
Finance and administration		41 854	41 988	51 863	46 875	51 159	51 159	51 654	52 549	57 591
Internal audit		—	—	—	1 077	1 117	1 117	1 282	1 354	1 431
<i>Community and public safety</i>		2 519	2 527	3 121	3 658	5 134	5 134	4 611	4 910	5 249
Community and social services		997	1 000	1 236	1 011	2 425	2 425	1 905	2 048	2 221
Sport and recreation		1 522	1 527	1 886	2 647	2 709	2 709	2 706	2 862	3 028
Public safety		—	—	—	—	—	—	—	—	—
Housing		—	—	—	—	—	—	—	—	—
Health		—	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>		29 535	29 630	36 599	23 142	18 490	18 490	21 522	22 634	23 932
Planning and development		27 093	27 180	33 573	15 892	14 380	14 380	16 427	17 287	18 318
Road transport		2 442	2 450	3 026	7 250	4 110	4 110	5 094	5 348	5 614
Environmental protection		—	—	—	—	—	—	—	—	—
<i>Trading services</i>		119 835	120 220	148 494	57 698	69 416	69 416	68 774	77 821	82 151
Energy sources		64 517	64 724	79 946	17 459	20 834	20 834	21 568	22 561	23 598
Water management		20 514	20 580	25 420	17 221	17 059	17 059	18 803	21 159	22 663
Waste water management		26 992	27 078	33 447	12 208	17 753	17 753	15 218	18 119	19 068
Waste management		7 812	7 837	9 680	10 809	13 770	13 770	13 184	15 982	16 822
<i>Other</i>	4	—	—	—	—	—	—	—	—	—
<b>Total Expenditure - Functional</b>	<b>3</b>	<b>208 210</b>	<b>208 878</b>	<b>258 004</b>	<b>154 546</b>	<b>167 564</b>	<b>167 564</b>	<b>169 794</b>	<b>182 297</b>	<b>194 314</b>
<b>Surplus/(Deficit) for the year</b>		<b>(23 033)</b>	<b>81 580</b>	<b>(57 788)</b>	<b>92</b>	<b>299</b>	<b>299</b>	<b>120</b>	<b>179</b>	<b>649</b>

**Explanatory notes to Table 5 (Table A2) – Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of these functional areas which enables the National treasury to compile 'whole of government' reports.
2. Note the Total revenue in this table excludes capital revenues and therefore will not balance to the operating revenue which includes capital transfers shown in Table A4.
3. Note that as a general principle the revenues for the trading services should exceed their expenditures.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenue sources reflected under the Budget and Treasury office.

**Table 6 (Table A3) – Budgeted Financial Performance (revenue and expenditure by municipal vote)**

**FS195 Phumelela - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description		Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue by Vote		1									
Vote 1 - Council And Executive			2 470	3 874	2 671	3 423	3 423	3 423	3 423	3 565	3 713
Vote 2 - Financial And Administration Services			151 422	237 511	163 718	94 445	96 807	96 807	90 555	97 117	102 908
Vote 3 - Planning and Development			25	39	27	670	689	689	685	717	749
Vote 4 - Community and Social Services			139	218	150	204	204	204	213	223	233
Vote 5 - Public Safety			239	375	259	57	145	145	152	159	166
Vote 6 - Sports and Recreation			—	—	—	—	—	—	—	—	—
Vote 7 - Waste Management			6 662	10 450	7 203	12 568	15 888	15 888	16 536	17 295	18 089
Vote 8 - Waste Water Management			7 152	11 218	7 733	13 313	17 430	17 430	16 146	16 897	17 682
Vote 9 - Road Transport			—	—	—	—	—	—	—	—	—
Vote 10 - Water			9 278	14 553	10 032	15 513	15 519	15 519	13 545	17 516	21 824
Vote 11 - Electricity			7 790	12 219	8 423	14 444	17 757	17 757	28 658	28 988	29 599
Vote 12 - [NAME OF VOTE 12]			—	—	—	—	—	—	—	—	—
Vote 13 - [NAME OF VOTE 13]			—	—	—	—	—	—	—	—	—
Vote 14 - [NAME OF VOTE 14]			—	—	—	—	—	—	—	—	—
Vote 15 - [NAME OF VOTE 15]			—	—	—	—	—	—	—	—	—
Total Revenue by Vote		2	185 178	290 459	200 215	154 638	167 863	167 863	169 914	182 476	194 964
Expenditure by Vote to be appropriated		1									
Vote 1 - Council And Executive			14 467	14 513	17 927	23 772	23 770	23 770	23 872	25 057	26 102
Vote 2 - Financial And Administration Services			41 854	41 988	51 863	46 277	50 753	50 753	51 015	51 875	56 880
Vote 3 - Planning and Development			27 093	27 180	33 573	15 892	14 380	14 380	16 427	17 287	18 318
Vote 4 - Community and Social Services			997	1 000	1 236	1 011	2 425	2 425	1 905	2 048	2 221
Vote 5 - Public Safety			1 063	1 066	1 317	1 261	1 210	1 210	1 594	1 687	1 785
Vote 6 - Sports and Recreation			1 522	1 527	1 886	2 647	2 709	2 709	2 706	2 862	3 028
Vote 7 - Waste Management			7 812	7 837	9 680	10 809	13 770	13 770	13 184	15 982	16 822
Vote 8 - Waste Water Management			26 992	27 078	33 447	12 208	17 753	17 753	15 218	18 119	19 068
Vote 9 - Road Transport			1 379	1 384	1 709	5 990	2 900	2 900	3 500	3 661	3 829
Vote 10 - Water			20 514	20 580	25 420	17 221	17 059	17 059	18 803	21 159	22 663
Vote 11 - Electricity			64 517	64 724	79 946	17 459	20 834	20 834	21 568	22 561	23 598
Vote 12 - [NAME OF VOTE 12]			—	—	—	—	—	—	—	—	—
Vote 13 - [NAME OF VOTE 13]			—	—	—	—	—	—	—	—	—
Vote 14 - [NAME OF VOTE 14]			—	—	—	—	—	—	—	—	—
Vote 15 - [NAME OF VOTE 15]			—	—	—	—	—	—	—	—	—
Total Expenditure by Vote		2	208 210	208 878	258 004	154 546	167 564	167 564	169 794	182 297	194 314
Surplus/(Deficit) for the year		2	(23 033)	81 580	(57 788)	92	299	299	120	179	649

**Explanatory notes to Table 6 (Table A3) – Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Phumelela Local Municipality. This means it is possible to present the operating surplus or deficit per a particular vote.



**Table 7 (Table A4) – Budgeted Financial Performance (revenue and expenditure)**

FS195 Phumelela - Table A4 Budgeted Financial Performance (revenue and expenditure)

FS195 Phumelela - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
Revenue By Source											
Property rates	2	11 871	13 480	12 999	13 232	13 232	13 232	13 232	14 865	15 549	16 277
Service charges - electricity revenue	2	7 765	9 186	6 396	9 133	9 133	9 133	9 133	15 601	15 305	15 258
Service charges - water revenue	2	9 276	10 974	9 566	13 203	13 203	13 203	13 203	8 579	12 312	16 370
Service charges - sanitation revenue	2	7 152	8 462	5 747	10 642	14 759	14 759	14 759	10 285	10 753	11 244
Service charges - refuse revenue	2	6 662	7 882	10 085	10 095	12 313	12 313	12 313	9 055	9 455	9 873
Rental of facilities and equipment		392	1 290	889	4 465	2 176	2 176	2 176	750	788	830
Interest earned - external investments		222	454	19 255	220	220	220	220	259	270	283
Interest earned - outstanding debtors		9 272	9 215	1 063	12 648	19 688	19 688	19 688	24 090	25 247	26 459
Dividends received		–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits		239	51	230	57	145	145	145	152	159	166
Licences and permits		–	–	–	26	43	43	43	45	47	50
Agency services		–	–	–	–	–	–	–	–	–	–
Transfers and subsidies		62 935	74 004	85 497	79 331	81 331	81 331	81 331	83 750	90 004	95 460
Other revenue	2	4 911	66 924	13 343	1 584	1 619	1 619	1 619	2 482	2 586	2 695
Gains		–	–	–	–	–	–	–	–	–	–
Total Revenue (excluding capital transfers and contributions)		120 697	201 924	165 070	154 638	167 863	167 863	167 863	169 914	182 476	194 964
Expenditure By Type											
Employee related costs	2	55 743	59 010	64 892	75 450	75 412	75 412	75 412	83 316	88 097	93 300
Remuneration of councillors		5 282	6 011	6 209	6 477	6 481	6 481	6 481	6 774	7 165	7 581
Debt impairment	3	36 128	32 207	60 998	10 709	15 681	15 681	15 681	10 486	15 571	16 287
Depreciation & asset impairment	2	17 191	19 901	23 005	2 300	6 649	6 649	6 649	6 948	7 267	7 602
Finance charges		30 268	13 420	16 258	1 718	3 628	3 628	3 628	3 792	1 966	4 149
Bulk purchases	2	30 543	32 700	40 961	15 162	15 162	15 162	15 162	15 844	17 573	18 835
Other materials	8	5 676	–	–	–	–	–	–	–	–	–
Contracted services		8 219	21 707	9 727	4 522	6 025	6 025	6 025	6 296	6 586	6 889
Transfers and subsidies		–	–	–	–	–	–	–	–	–	–
Other expenditure	4, 5	19 160	23 922	35 953	38 207	38 526	38 526	38 526	36 339	38 072	39 672
Losses		–	–	–	–	–	–	–	–	–	–
Total Expenditure		208 210	208 878	258 004	154 546	167 564	167 564	167 564	169 794	182 297	194 314
Surplus/(Deficit)		(87 513)	(6 954)	(92 934)	92	299	299	299	120	179	649
(monetary allocations) (National / Provincial and District)		64 481	88 535	35 145	–	–	–	–	–	–	–
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	6	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (in-kind - all)		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & Taxation		(23 033)	81 580	(57 788)	92	299	299	299	120	179	649
Surplus/(Deficit) after taxation		(23 033)	81 580	(57 788)	92	299	299	299	120	179	649
Attributable to minorities		–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) attributable to Share of surplus/ (deficit) of associate	7	(23 033)	81 580	(57 788)	92	299	299	299	120	179	649
Surplus/(Deficit) for the year		(23 033)	81 580	(57 788)	92	299	299	299	120	179	649

**Explanatory notes to Table 7 (Table A4)**

1. Total revenue is envisaged to be R 169,914m escalates to R181,476in 2020/21 and R194,964m in 2022/23.
2. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are increasing steadily over the MTREF.
3. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in the future years, yet saving employment.

**Table 8 (Table A5) – Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
<b>R thousand</b>	<b>1</b>										
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Council And Executive		-	-	-	-	-	-	-	-	-	-
Vote 2 - Financial And Administration Services		268	206	238	-	-	-	-	-	-	-
Vote 3 - Planning and Development		-	-	-	1 052	1 052	1 052	1 052	660	1 121	1 176
Vote 4 - Community and Social Services		-	-	1 140	2 936	3 500	3 500	3 500	-	-	2 787
Vote 5 - Public Safety		-	-	-	-	-	-	-	-	-	-
Vote 6 - Sports and Recreation		4 052	9 645	221	1 797	800	800	800	996	502	-
Vote 7 - Waste Management		-	-	-	-	-	-	-	-	-	-
Vote 8 - Waste Water Management		-	-	-	13 718	7 658	7 658	7 658	16 100	22 260	23 328
Vote 9 - Road Transport		6 173	8 221	12 380	-	2 504	2 504	2 504	7 573	2 190	-
Vote 10 - Water		53 550	79 167	17 512	23 345	36 595	36 595	36 595	16 703	18 612	19 556
Vote 11 - Electricity		664	2 731	10 485	8 360	8 511	8 511	8 511	16 020	3 000	3 500
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>58 053</b>	<b>47 686</b>	<b>50 347</b>
<b>Total Capital Expenditure - Vote</b>		<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>58 053</b>	<b>47 686</b>	<b>50 347</b>
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		<b>268</b>	<b>206</b>	<b>238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		268	206	238	-	-	-	-	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		<b>4 052</b>	<b>9 645</b>	<b>1 361</b>	<b>4 733</b>	<b>4 300</b>	<b>4 300</b>	<b>4 300</b>	<b>996</b>	<b>502</b>	<b>2 787</b>
Community and social services		-	-	1 140	2 936	3 500	3 500	3 500	-	-	2 787
Sport and recreation		4 052	9 645	221	1 797	800	800	800	996	502	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		<b>6 173</b>	<b>8 221</b>	<b>12 380</b>	<b>1 052</b>	<b>3 557</b>	<b>3 557</b>	<b>3 557</b>	<b>8 233</b>	<b>3 311</b>	<b>1 176</b>
Planning and development		-	-	-	1 052	1 052	1 052	1 052	660	1 121	1 176
Road transport		6 173	8 221	12 380	-	2 504	2 504	2 504	7 573	2 190	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		<b>54 214</b>	<b>81 898</b>	<b>27 997</b>	<b>45 423</b>	<b>52 763</b>	<b>52 763</b>	<b>52 763</b>	<b>48 823</b>	<b>43 872</b>	<b>46 384</b>
Energy sources		664	2 731	10 485	8 360	8 511	8 511	8 511	16 020	3 000	3 500
Water management		53 550	79 167	17 512	23 345	36 595	36 595	36 595	16 703	18 612	19 556
Waste water management		-	-	-	13 718	7 658	7 658	7 658	16 100	22 260	23 328
Waste management		-	-	-	-	-	-	-	-	-	-
<b>Other</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>58 053</b>	<b>47 686</b>	<b>50 347</b>
<b>Funded by:</b>											
National Government		64 708	99 970	41 976	51 208	60 620	60 620	60 620	58 053	47 686	50 347
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>58 053</b>	<b>47 686</b>	<b>50 347</b>
<b>Borrowing</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Internally generated funds</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Funding</b>	<b>7</b>	<b>64 708</b>	<b>99 970</b>	<b>41 976</b>	<b>51 208</b>	<b>60 620</b>	<b>60 620</b>	<b>60 620</b>	<b>58 053</b>	<b>47 686</b>	<b>50 347</b>

**Explanatory notes to Table 8 (Table A5) – Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year budget appropriations. A total of R 58,053m has been allocated for the 2020/21 financial year, R47,686m for the 2021/22 financial year and flattens out to R50,347m in the 2022/23 financial year.
3. The capital programme is funded from capital transfers from national and provincial government.

**Table 9 (Table A6) – Budgeted Financial Position**

FS195 Phumelela - Table A6 Budgeted Financial Position

FS195 Phumelela - Table A6 Budgeted Financial Position											
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
ASSETS											
Current assets											
Cash		1 182	7 882	3 601	64	9 025	9 025	9 025	18 954	25 915	36 115
Call investment deposits	1	–	–	–	–	–	–	–	–	–	–
Consumer debtors	1	4 999	11 851	7 071	110 996	119 996	119 996	119 996	173 994	254 031	370 885
Other debtors		7 846	2 673	1 166	–	–	–	–	–	–	–
Current portion of long-term receivables		607	11 517	10 616	–	–	–	–	–	–	–
Inventory	2	576	935	1 998	638	638	638	638	926	1 351	1 973
Total current assets		15 211	34 858	24 451	111 698	129 659	129 659	129 659	193 873	281 297	408 973
Non current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		16 685	15 914	15 080	–	–	–	–	–	–	–
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	683 953	819 751	830 237	932 625	938 563	938 563	938 563	1 360 916	1 986 937	2 900 929
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		–	–	–	–	–	–	–	–	–	–
Other non-current assets		487	470	441	–	–	–	–	–	–	–
Total non current assets		701 125	836 136	845 758	932 625	938 563	938 563	938 563	1 360 916	1 986 937	2 900 929
TOTAL ASSETS		716 336	870 993	870 209	1 044 323	1 068 222	1 068 222	1 068 222	1 554 789	2 268 235	3 309 902
LIABILITIES											
Current liabilities											
Bank overdraft	1	–	–	–	–	–	–	–	–	–	–
Borrowing	4	–	–	–	76	76	76	76	110	161	234
Consumer deposits		239	234	234	–	–	–	–	–	–	–
Trade and other payables	4	187 869	225 418	281 486	76 951	76 951	76 951	76 951	111 580	162 906	237 843
Provisions		9 479	3 791	3 851	–	–	–	–	–	–	–
Total current liabilities		197 587	229 443	285 571	77 027	77 027	77 027	77 027	111 690	163 067	238 078
Non current liabilities											
Borrowing		326	37 723	43 357	2 666	2 666	2 666	2 666	3 866	5 644	8 240
Provisions		70 547	4 758	–	34 545	52 506	52 506	52 506	76 134	111 155	162 286
Total non current liabilities		70 873	42 480	43 357	37 211	55 172	55 172	55 172	79 999	116 799	170 526
TOTAL LIABILITIES		268 460	271 924	328 928	114 238	132 199	132 199	132 199	191 689	279 866	408 604
NET ASSETS	5	447 876	599 069	541 281	930 085	936 023	936 023	936 023	1 363 100	1 988 369	2 901 298
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		447 876	599 069	541 281	930 085	936 023	936 023	936 023	1 363 100	1 988 369	2 901 298
Reserves	4	–	–	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	447 876	599 069	541 281	930 085	936 023	936 023	936 023	1 363 100	1 988 369	2 901 298

**Explanatory notes to table 9 (Table A6) – Budget Financial Position**

- Table A6 is consistent with international standards of good financial management practice, and improves understanding for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets and Liabilities as “accounting” Community Wealth or Equity. The order of items within each group illustrates requirements to be met from cash, and appears first.
- Table A6 provides a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Non-current Provisions;
  - Changes in net assets; and
  - Reserves
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalent at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition, the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 10 (Table A7) – Budgeted Cash Flow Statement**

FS195 Phumelela - Table A7 Budgeted Cash Flows

FS195 Phumelela - Table A7 Budgeted Cash Flows												
Description		Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates			12 259	11 545	14 494	10 585	10 585	10 585	10 585	11 892	12 439	13 021
Service charges			20 975	27 722	40 069	34 459	34 459	34 459	34 459	35 050	38 335	42 731
Other revenue			8 706			6 213	2 832	2 832	2 832	2 744	2 865	2 993
Transfers and Subsidies - Operational		1	62 935	93 819	59 950	79 331	81 331	81 331	81 331	83 750	90 004	95 460
Transfers and Subsidies - Capital		1	68 712	102 432	65 454	51 208	60 620	60 620	60 620	66 382	47 686	50 347
Interest			9 494	9 669	19 255	8 067	10 315	10 315	10 315	19 479	20 414	21 393
Dividends			–	–	–	–	–	–	–	–	–	–
Payments												
Suppliers and employees			(86 353)	(78 404)	(86 075)	(125 737)	(129 310)	(129 310)	(129 310)	(142 099)	(149 828)	(157 796)
Finance charges			(30 268)	(100 288)	(75 160)	(12 718)	(3 628)	(3 628)	(3 628)	(3 792)	(7 267)	(7 602)
Transfers and Grants		1	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES			66 460	66 494	37 987	51 408	67 204	67 204	67 204	73 406	54 647	60 547
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE			–	40 672	–	–	–	–	–	–	–	–
Decrease (increase) in non-current receivables			–	12	5	–	–	–	–	–	–	–
Decrease (increase) in non-current investments			–	–	–	–	–	–	–	–	–	–
Payments												
Capital assets			(64 708)	(100 092)	(41 976)	(51 208)	(51 208)	(51 208)	(51 208)	(58 053)	(47 686)	(50 347)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(64 708)	(59 409)	(41 971)	(51 208)	(51 208)	(51 208)	(51 208)	(58 053)	(47 686)	(50 347)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans			–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		3	–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits			–	–	–	–	–	–	–	–	–	–
Payments												
Repayment of borrowing			(1 045)	(385)	(297)	(168)	(126)	(126)	(126)	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES			(1 042)	(385)	(297)	(168)	(126)	(126)	(126)	–	–	–
NET INCREASE/(DECREASE) IN CASH HELD			711	6 700	(4 282)	32	15 870	15 870	15 870	15 353	6 961	10 200
Cash/cash equivalents at the year begin:		2	471	1 182	7 882	32	3 657	3 657	3 657	3 601	18 954	25 915
Cash/cash equivalents at the year end:		2	1 182	7 882	3 601	64	19 527	19 527	19 527	18 954	25 915	36 115

**Explanatory notes to Table 10 (Table A7) - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The 2020/21 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term

**Table 11 (Table A8) – Cash Backed Reserves/Accumulated Surplus Reconciliation**

FS195 Phumelela - Table A8 Cash backed reserves/accumulated surplus reconciliation

FS195 Phumelela - Table A8 Cash backed reserves/accumulated surplus reconciliation												
Description		Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
<b>Cash and investments available</b>												
Cash/cash equivalents at the year end		1	1 182	7 882	3 601	64	19 527	19 527	19 527	10 625	17 586	27 786
Other current investments > 90 days			–	(0)	(0)	–	(10 502)	(10 502)	(10 502)	–	–	–
Non current assets - Investments		1	–	–	–	–	–	–	–	–	–	–
<b>Cash and investments available:</b>			<b>1 182</b>	<b>7 882</b>	<b>3 601</b>	<b>64</b>	<b>9 025</b>	<b>9 025</b>	<b>9 025</b>	<b>10 625</b>	<b>17 586</b>	<b>27 786</b>
<b>Application of cash and investments</b>												
Unspent conditional transfers			–	–	–	–	–	–	–	–	–	–
Unspent borrowing			–	–	–	–	–	–	–	–	–	–
Statutory requirements		2	–	–	–	–	–	–	–	–	–	–
Other working capital requirements		3	178 507	220 944	274 035	1 181	8 440	8 440	8 440	8 116	10 992	12 225
Other provisions			–	–	–	–	–	–	–	–	–	–
Long term investments committed		4	–	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments		5	–	–	–	–	–	–	–	–	–	–
<b>Total Application of cash and investments:</b>			<b>178 507</b>	<b>220 944</b>	<b>274 035</b>	<b>1 181</b>	<b>8 440</b>	<b>8 440</b>	<b>8 440</b>	<b>8 116</b>	<b>10 992</b>	<b>12 225</b>
<b>Surplus(shortfall)</b>			<b>(177 325)</b>	<b>(213 062)</b>	<b>(270 434)</b>	<b>(1 117)</b>	<b>585</b>	<b>585</b>	<b>585</b>	<b>2 509</b>	<b>6 594</b>	<b>15 562</b>

**Explanatory notes to Table 11 (Table A8) – Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Compliance with section 18 of the MFMA is assumed because a surplus indirectly indicates that the annual budget is appropriately funded.
5. As part of the budgeting and planning guidelines that informed the compilation of the 2020/21 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.



**Table 12 (Table A9) – Asset Management**

FS195 Phumelela - Table A9 Asset Management

Description		Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1	Budget Year +2
ASSET REGISTER SUMMARY - PPE (WDV)											
	5		835 671	845 317	932 625	938 563	938 563	938 563	1 360 916	1 986 937	2 900 929
			155 053	186 694	244 818	220 478	220 478	220 478	319 692	466 751	681 456
			134 546	25 566	102 388	5 938	5 938	5 938	8 610	12 570	18 353
			7 253	6 790	7 970	53 969	53 969	53 969	78 255	114 253	166 809
			261 343	314 471	260 571	347 521	347 521	347 521	503 905	735 701	1 074 124
			66 125	64 673	62 064	226 875	226 875	226 875	328 969	480 295	701 231
			–	429	286	23 695	23 695	23 695	34 358	50 163	73 238
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**Explanatory notes to Table 12 (Table A9) – Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 percent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be at least 10% of PPE. Phumelela Local Municipality does not meet any of these recommendations. The reason for this is that the capital budget of the municipality is funded in the form of conditional grants, and these can only be used for new assets as opposed to being used for the renewal of existing assets.

**Part 2 – Supporting Documentation****2.1 Overview of the annual budget process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 regulation 4 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and Senior Managers, Budget Manager, IDP Manager of the municipality meeting under the chairpersonship of the Mayor.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the PLM's IDP and the budget, taking into account the need to protect the financial sustainability of the municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

**2.1.1 IDP, Service Delivery and Budget Implementation Plan**

This is the 2nd year of the fourth generation of the IDP and will be adopted by council on or before the 30 of May 2020.

The PLM's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly informs the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following Key IDP Processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring process.

The IDP has been taken into a business and financial planning process leading up to the 2020/21 MTREF, based on the approved 2019/20 MTREF and the Mid-year review. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2020/2021 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the Mid-year performance against the 2019/20120 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detailed operating budget appropriations and three-year capital programme.

### **2.1.2 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2020/2021 MTREF, an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of this MTREF:

- Municipality growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation)
- Performance trends
- Cash Flow Management Strategy
- Debtor payment levels
- Investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 98 and 99 has been taken into consideration in the planning and prioritisation process.

### **2.1.3 Community Consultation**

The Original 2020/2021 MTREF as finalised by Council on 21 March 2020 for community consultation was published on the municipality's website, and hard copies made available at municipal offices and other community centres. In addition budget road shows were held in different municipal clusters. Inputs were also collected via e-mails.

All documents in the appropriate format (electronic and printed) will be provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2020/2021 MTREF this process was done through ward committee members on door to door consultation and taking into account necessary precautions related to the Covid19 regulations and documentation of such consultation is available at the Municipal office.

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (PGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative of South Africa (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP);
- The National Priority Outcomes; and
- National Development Plan

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal

integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's six strategic objectives for the 2020/2021 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 16 – IDP Strategic Objectives**

Priority	Objectives	Outcomes
1. Revenue	Increase own revenue from trading services and other revenue streams	Ensure that every consumer who is provided with a service is billed correctly and pay for the service by performing: <ul style="list-style-type: none"> <li>➤ Data cleansing</li> <li>➤ Constant follow up on outstanding accounts.</li> <li>➤ Collaboration with Eskom for the installation of split meters in Warden and Ezenzeleni to curb electricity losses which will increase revenue and reduce bulk purchases.</li> <li>➤ Annually maintain indigent register</li> <li>➤ Perform supplementary valuation rolls</li> <li>➤ Implementation of traffic management</li> </ul>
2. SCM Management	To procure goods and services in line with sec 217 of the constitution and chapter 11 of the MFMA no.56 of 2003	Eliminate irregular, fruitless and wasteful expenditure. Value for money without compromising quality through competition, transparency and equity
3. Asset Management	To ensure that assets of the municipality are accounted for in terms of GRAP standards	Development of asset policy Develop and maintain GRAP 17 asset register Ensure that assets are comprehensively ensured
4. Budget reporting	Prepare and implement the budget in the terms of budget reforms	Ensure that the budget is approved by council before the start of the new financial year Ensure that monthly, quarterly and yearly reports are prepared and submitted to council on time.
5. Expenditure management	Ensure that expenditure incurred provided for in the approved budget	Reduction of unauthorised expenditure
6. Review of LED strategy	To have an updated LED strategy	Updated LED strategy
7. Exploiting and pursuing new investment opportunities	To attract new investors in around Phumelela	<ul style="list-style-type: none"> <li>- Agriculture/ Dairy farm</li> <li>- Gas exploration</li> <li>- Smart technology factory</li> <li>- Tourism opportunities</li> </ul>
8. Tourism	To promote tourism opportunities around Phumelela	To increase tourism opportunities
9. Cemeteries and Parks	To ensure effective management of graveyards and cemeteries in the	Adequate provision for, safe and well maintained graveyards and cemeteries.

	Phumelela municipal area	
10. Sport and recreation facilities	To ensure access to sports and recreation in the Phumelela municipal area	Adequate provision, for safe and well maintain sport and recreational facilities, as measured in terms of the target set for the programs and projects in the 5 year IDP
11. Traffic and parking	To ensure effective and traffic management and parking in the Phumelela area	Adequate provision for traffic management and parking, as measured in terms of the targets set for programmes and project in the IDP
12. Waste management	To ensure effective and efficient waste management in the area from storage to disposal	Environmental clean waste disposal site
13. Energy and Electricity management	To ensure effective and efficient electricity supply	Sufficient provision of electricity
14. Municipal roads and storm water	To provide the mobility and enhance economic development in the Municipal environment	Improved access and enhancement of economic development
15. Sanitation	To ensure provision of reliable sanitation and related effluent	Healthy environment in the Phumelela area
16. Water	To ensure provision of clean potable water	Increased access to clean potable water
17. Alignment of Organizational Structure with IDP	To ensure that the structure is reviewed and linked to IDP Alignment of Organizational Structure with Powers & Functions Establish proper reporting lines	Structure reviewed and approved by Council
18. Filling of critical vacancies	To ensure that recruitment campaign is conducted in line with recruitment policy. To appoint / attract possible competent and skilled personnel	Clear job descriptions linked to KPA's and KPI's and deliverables.  Ensure compliance with minimum competencies
19. Development and review appropriate policies and by-laws	To have a policy driven and regulated environment	Policies adopted by Council including the Bylaws
20. Skill Audit to evaluate competencies & address shortcomings	To identify the skills gaps. Training to be in line with the WSP and approved by Council	Training plan in line with WSP approved by Council
21. Organizational Performance Management	Cascading Performance Management System to staff below Section 57. To ensure that a	Clear job description



	Culture of performance is installed	
22. Improvement of Government/ governance Structures/ functionality of Council Committees	To ensure functionality of Section 80 Committee, ward committees, Oversight Committee and LLF.  Adopt organization wide schedule of meetings and comply with it	Section 80 resuscitated LLF properly constituted Audit committee established Schedule of dates adopted by Council
23. Legislative compliance	Report monthly, quarterly, mid-year and annually.  Reporting on the LGTAS (Monitoring and evaluation)	Ensure compliance in terms of reporting (MFMA guidelines)
24. Communication strategy	Better use of Municipal Web-site  Improve way of communication with public and stakeholders	Ensure functional website Convene Quarterly engagement with stakeholders
25. Spatial Development Framework	Review of the Spatial Development Framework	Reviewed Spatial Development Framework
26. Disaster Management	Development of a disaster management plan	Disaster management plan Developed
27. Sector Plans	FA: 9.1 Development of Sector plans for basic services; Water, Waste, Sanitation, Electricity/Energy and Roads & Pavement	

In order to ensure integrated and focused service delivery between all spheres of government it was important for the PLM to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide planning services (Town Planning); and
  - Maintaining the infrastructure of the PLM.
2. Economic growth and development that leads to sustainable job creation by:

- Ensuring there is a clear structural plan for the PLM;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
3. Fight poverty and build clean, healthy, safe and sustainable communities:
    - Effective implementation of the Indigent Policy;
    - Working with the provincial department of health to provide primary health care services;
    - Extending waste removal services and ensuring effective PLM cleansing;
    - Ensuring all waste water treatment works are operating optimally;
    - Working with strategic partners such as SAPS to address crime;
    - Ensuring safe working environments by effective enforcement of building and health regulations;
    - Promote viable, sustainable communities through proper zoning; and
    - Promote environmental sustainability by protecting wetlands and key open spaces.
  4. Integrated Social Services for empowered and sustainable communities
    - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
  5. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
    - Optimising effective community participation in the ward committee system; and
    - Implementing Batho Pele in the revenue management strategy.
  6. Promote sound governance through:
    - Publishing the outcomes of all tender processes on the municipal website
  7. Ensure financial sustainability through:
    - Reviewing the use of contracted services
    - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
  8. Optimal institutional transformation to ensure capacity to achieve set objectives
    - Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the PLM. The five-year programme responds to the development challenges and opportunities faced by the PLM by identifying the key performance areas to achieve the five strategic objectives mentioned above.

In addition to the five-year IDP, the PLM undertakes an extensive planning and developmental strategy which primarily focuses on a longer term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the PLM so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the PLM's IDP, associated sectorial plans and strategies, and the allocation of resources of the PLM and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and

- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fifth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the PLM;
- Initiating zone planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2020/21 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

**Table 17 (Table SA4) – Reconciliation between the IDP strategic objectives and the budget revenue**

FS195 Phumelela - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)													
Strategic Objective	Goal	Goal Code	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1	Budget Year +2	
R thousand													
To ensure provision of clean potable water	100% of households in formal settlements have access to basic Water infrastructure required to enable achievement of the strategic objective as measured in terms of The percentage of households earning less than R3 200 per			9 278	14 553	10 032	15 513	16 840	16 840	17 075	18 315	19 625	
To ensure provision of reliable sanitation and	Increase in access to sanitation Sanitation infrastructure required to enable achievement of the strategic objective as			7 152	11 218	7 733	13 313	14 452	14 452	14 653	15 718	16 842	
To ensure that identified internal roads in the Phumelela municipal area are maintained and/or upgraded to facilitate economic and social activity required for the	Repair and paving of roads according to the targets and projects indicated in the 5-year IDP			-	-	-	-	-	-	-	-	-	
To ensure good waste management in the Phumelela municipal area, as measured in	Registration and establishment of landfill sites. Development of a waste management			6 662	10 450	7 203	12 568	13 643	13 643	13 833	14 838	15 900	
To ensure increase in access to electricity	Sufficient provision of electricity.			7 790	12 219	8 423	14 444	15 679	15 679	15 898	17 053	18 273	
To ensure effective management of graveyards and cemeteries in the Phumelela municipal	Formulate and implement a schedule for the regular maintenance of parks, by providing adequate			139	218	150	204	221	221	225	241	258	
To ensure access to quality sport and recreational in the Phumelela municipal area, as measured in	Adequate provision for, safe and well maintained sport and recreational facilities, as measured in terms			-	-	-	-	-	-	-	-	-	
To create employment opportunities in the Phumelela municipal	(Number of) employment opportunities created through targeted IDP (Number of) employment opportunities created			-	-	-	8 633	9 371	9 371	9 502	10 192	10 922	
To facilitate institutional transformation and development in the Phumelela local municipality as	The number of people from employment equity target groups employed in the three highest levels of management in Targets in the review of organizational structure in line with the IDP and powers Skills development targets in the municipal Skills Development Plan.			-	-	-	89 778	97 456	97 456	98 524	105 901	112 909	
To facilitate the financial viability of the Phumelela local municipality as measured in terms of the key indicators of	To facilitate the financial viability of the Phumelela local municipality as measured in terms of the key indicators of			154 155	241 799	166 674	185	201	201	204	218	234	
								-	-	-	-	-	
								-	-	-	-	-	
								-	-	-	-	-	
								-	-	-	-	-	
Allocations to other priorities				2									
Total Revenue (excluding capital transfers and contributions)				1	185 178	290 459	200 215	154 638	167 863	167 863	169 914	182 476	194 964

**Table 18 (Table SA5) – Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

FS195 Phumelela - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

FS195 Phumelela - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1	Budget Year +2	
R thousand													
To ensure provision of clean potable water	100% of households in formal settlements have access to basic level of water Water infrastructure required to enable achievement of the strategic objective as			20 514	20 580	25 420	13 401	16 595	16 595	16 846	17 955	19 095	
					-	-		-	-	-	-	-	
					-	-		-	-	-	-	-	
	The percentage of households earning less than R3 200 per month with access to				-	-		-	-	-	-	-	
To ensure provision of reliable sanitation and related effluent	Increase in access to sanitation			26 992	27 078	33 447	9 191	11 381	11 381	11 554	12 314	13 096	
	Sanitation infrastructure required to enable achievement of the				-	-		-	-	-	-	-	
To ensure that identified internal roads in the Phumelela municipal	Repair and paving of roads according to the targets and projects indicated in the 5-year			1 379	1 384	1 709	4 000	4 953	4 953	5 028	5 359	5 700	
					-	-		-	-	-	-	-	
To ensure good waste management in the Phumelela municipal area, as measured in	Registration and establishment of landfill sites.			7 812	7 837	9 680	7 820	9 684	9 684	9 830	10 477	11 143	
	Development of a waste management plan				-	-	19 233	-	-	-	-	-	
					-	-		-	-	-	-	-	
To ensure increase in access to electricity for the Phumelela area	Sufficient provision of electricity.			64 517	64 724	79 946	16 006	19 821	19 821	20 121	21 446	22 808	
To ensure effective management of graveyards and cemeteries in the	Formulate and implement a schedule for the regular maintenance of parks,				-	-	906	1 123	1 123	1 139	1 215	1 292	
To ensure access to quality sport and recreational in the Phumelela municipal	Adequate provision for, safe and well maintained sport and recreational facilities,			1 522	1 527	1 886	2 410	2 985	2 985	3 030	3 229	3 434	
To create employment opportunities in the Phumelela municipal	(Number of) employment opportunities created through targeted IDP				-	-	43 718	54 137	54 137	54 652	59 575	63 796	
	(Number of) employment opportunities created through EPWP				-	-		-	-	-	-	-	
To facilitate institutional transformation and development in the	The number of people from employment equity target groups employed in the three				-	-	11 741	14 539	14 539	14 759	15 731	16 730	
	Targets in the review of organizational structure in line with the IDP and powers				-	-		-	-	-	-	-	
	Skills development targets in the municipal Skills Development Plan.				-	-		-	-	-	-	-	
To facilitate the financial viability of the Phumelela local municipality as	To facilitate the financial viability of the Phumelela local municipality as			85 474	85 748	105 915	26 120	32 346	32 346	32 835	34 997	37 220	
								-	-	-	-	-	
Allocations to other priorities													
Total Expenditure				1	208 210	208 878	258 004	154 546	167 564	167 564	169 794	182 297	194 314

**Table 19 (Table SA6) – Reconciliation between the IDP strategic objectives and the budgeted capital expenditure**

FS195 Phumelela - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

FS195 Phumelela - Supporting Table SA6 Reconciliation of IDP Strategic objectives and budget (capital expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year	Budget Year +1	Budget Year +2	
R thousand													
To ensure provision of clean potable water	100% of households in formal settlements have access to basic level of water	A		53 550	82 732	34 738	16 484	36 595	36 595	16 703	18 612	19 556	
		B		-	-	-	-			-	-	-	
		C		-	-	-				-	-	-	
		D		-	-	-				-	-	-	
To ensure provision of reliable sanitation and related effluent	Water infrastructure required to enable achievement of the strategic objective as	E		-	-	-	14 600	7 658	7 658	-	-	-	
		F		-	-	-				16 100	22 260	23 328	
		G		-	-	-	12 931			-	-	-	
		H		6 173	9 537	4 004		2 504	2 504	7 573	2 190	-	
To ensure that identified internal roads in the Phumelela municipal area are maintained	The percentage of households earning less than R3 200 per month with access to free basic increase in access to sanitation	I		-	-	-	-			-	-	-	
		J		-	-	-				-	-	-	
		K		-	-	-				-	-	-	
		L		-	-	-	3 610			-	-	-	
To ensure good waste management in the Phumelela municipal area, as measured in	Registration and establishment of landfill sites.	M		664	1 026	431	893	8 511	8 511	24 349	3 000	3 500	
		N		-	-	-	1 656	3 500	3 500	-	-	2 787	
		O		4 052	6 260	2 629		800	800	996	502	-	
				-	-	-	1 034	1 052	1 052	-	-	-	
To ensure increase in access to electricity for the Phumelela area	Sufficient provision of electricity.			-	-	-				-	-	-	
				-	-	-				-	-	-	
				-	-	-				-	-	-	
				-	-	-				-	-	-	
To ensure effective management of graveyards and cemeteries in the Phumelela municipal area, as measured in	Formulate and implement a schedule for the regular maintenance of parks, Adequate provision for, safe and well maintained sport and recreational facilities, as (Number of) employment opportunities created through targeted IDP (Number of) employment opportunities created through EPWP			-	-	-				-	-	-	
				-	-	-				-	-	-	
				-	-	-				-	-	-	
				-	-	-				-	-	-	
To ensure access to quality sport and recreational in the Phumelela municipal area, resulting from	The number of people from employment equity target groups employed in the three highest targets in the review of organizational structure in line with the IDP and powers and function; Skills development targets in the municipal Skills Development Plan.			-	-	-				-	-	-	
				-	-	-				-	-	-	
				-	-	-				-	-	-	
				-	-	-				-	-	-	
To facilitate institutional transformation and development in the Phumelela local	The number of people from employment equity target groups employed in the three highest targets in the review of organizational structure in line with the IDP and powers and function; Skills development targets in the municipal Skills Development Plan.			-	-	-				-	-	-	
				-	-	-				-	-	-	
				-	-	-				-	-	-	
				-	-	-				-	-	-	
To facilitate the financial viability of the Phumelela local municipality as	To facilitate the financial viability of the Phumelela local municipality as	P		268	415	174				660	1 121	1 176	
				-	-	-				-	-	-	
				-	-	-				-	-	-	
				-	-	-				-	-	-	
Allocations to other priorities				3									
Total Capital Expenditure				1	64 708	99 970	41 976	51 208	60 620	60 620	66 382	47 686	50 347



### **2.3 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the PLM has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:

The following table sets out the municipalities main performance objectives and benchmarks for the 2020/2021 MTREF.

**Table 20 (Table SA8) – Performance indicators and benchmarks**

FS195 Phumelela - Supporting Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Borrowing Management</b>											
<b>Credit Rating</b>											
Capital Charges to Operating Expenditure	Interest & Principal Paid / Operating Expenditure	15,0%	6,6%	6,4%	1,2%	2,2%	2,2%	2,2%	2,2%	1,1%	2,1%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing / Own Revenue	54,2%	10,8%	20,8%	2,5%	4,3%	4,3%	4,3%	4,4%	2,1%	4,2%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Safety of Capital</b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Liquidity</b>											
Current Ratio	Current assets/current liabilities	0,1	0,2	0,1	1,5	1,7	1,7	1,7	1,7	1,7	1,7
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0,1	0,2	0,1	1,5	1,7	1,7	1,7	1,7	1,7	1,7
Liquidity Ratio	Monetary Assets/Current Liabilities	0,0	0,0	0,0	0,0	0,1	0,1	0,1	0,1	0,1	0,1
<b>Revenue Management</b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	77,8%	77,8%	78,6%	121,8%	80,0%	71,9%	71,9%	71,9%	80,4%	80,1%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		77,8%	78,6%	121,8%	80,0%	71,9%	71,9%	71,9%	80,4%	80,1%	80,8%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	11,1%	12,9%	11,4%	71,8%	71,5%	71,5%	71,5%	102,4%	139,2%	190,2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b>Creditors Management</b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within 'MFMA' s 65(e))										
Creditors to Cash and Investments		15892,9%	2859,8%	7817,8%	120167,0%	384,1%	384,1%	384,1%	1023,6%	902,9%	834,3%
<b>Other Indicators</b>											
	Total Volume Losses (kW)										
	Total Cost of Losses (Rand '000)										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
	Total Volume Losses (kV)										
	Total Cost of Losses (Rand '000)										
Water Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated										
Employee costs	Employee costs/(Total Revenue - capital revenue)	46,2%	29,2%	39,3%	48,8%	44,9%	44,9%	44,9%	49,0%	48,3%	47,9%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	59,4%	32,2%	43,0%	52,8%	48,8%	48,8%		59,6%	58,7%	58,2%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	6,3%	1,9%	2,1%	6,0%	5,5%	5,5%		8,2%	8,0%	7,8%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	39,3%	16,5%	23,8%	2,6%	6,1%	6,1%	6,1%	6,3%	5,1%	6,0%
<b>IDP regulation financial viability indicators</b>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	5,7	6,5	9,7	7,2	7,2	7,2	4,4	4,2	4,3	4,7
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	31,2%	50,8%	41,3%	182,6%	185,1%	185,1%	185,1%	294,2%	395,9%	531,0%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0,1	0,5	0,2	0,0	1,7	1,7	1,7	0,9	1,4	2,0

## 2.4 Overview of budget related-policies

The PLM's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### 2.4.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy as approved by Council on 25 March 2008, has been reviewed and the following amendments took place:

- Section 4 Subsection 4.1 (The Municipality will only enter into a contract agreement with the Owner of the property) This item is added to the policy to get rid of tenants accounts
- In the case of tenants, a written approval by the owner must accompany the agreement. (This item has been removed from a reviewed policy. No tenants accounts allowed anymore.)
- The Chief Financial Officer shall authorise the reconnection of services or reinstatement of service delivery within twenty-four hours after satisfactory payment and/or arrangement for payment, together with reconnection fees, has been made according to the municipality's Credit Control Policy (Turnaround time has been added.)

While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition, emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the SETA training institution aims to also train indigent households. In line with the national government's initiative to create a million jobs, all role players are actively involved in the reduction of the number of registered indigent households.

The 2020/21 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 85 percent on current billings. In addition, the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the PLM's cash levels. In addition, PLM has already embarked on encouraging the community to pay for services and those who cannot afford to pay, be registered as indigents.

#### **2.4.2 Asset Management, Infrastructure Investment and Funding Policy**

The Municipality has recently reviewed and adopted a Fixed Assets Management policy which provides all the information relating to the funding and investment related to the Infrastructure.

#### **2.4.3 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in 25 March 2008. The SCM policy was reviewed during the final Budget for 2020/21.

These policies will be adopted by council when the Annual Budget is adopted on the 30 May 2020.

#### **2.4.4 Other Reviewed and New Policies**

The following policies were also reviewed when the Annual Budget for 2020/21 MTREF was prepared:

- Tariffs Policy
- Infrastructure Procurement and Delivery Management Policy (New)
- Credit and Debt Collection Policy
- Indigent Policy
- Write-off Policy
- Petty Cash Policy
- Banking and Investment Policy
- Budget and Virements Policy
- Fixed Asset Management Policy
- Accounting Policy
- Borrowing Policy
- Funds and Reserves Policy
- Property Rates Policy
- Contingent Liabilities Policy
- Commitments Policy
- SPLUMA Tariffs
- Unauthorised, Irregular and Fruitless Expenditure Policy

#### **Travel and Subsistence Policy**

- Amendments are as follows:
  - Clouse 3.12 (Calculation on the fixed monthly travelling allowance);
  - Clouse 4.2.2 (R75.00 has been taken out of the policy were staff is required to travel out sight the derestriction of the municipality.
  - Clouse 9 (To be included to read the "Policy will be implemented annually in line with the salary and wage collective agreement".

## **2.5 OVERVIEW OF THE BUDGET ASSUMPTIONS**

### **2.5.1 External Factors**

The Budget Review 2018 notes that the global economic crisis has deepened, exposing the depth of South Africa's external vulnerabilities and the internal constraints that limit its potential for growth. Global conditions have exposed South Africa's own economic weaknesses, with projected GDP growth revised down to 4.5 per cent for 2020 improving gradually to 4.6 per cent in 2021 and 4.5 per cent in 2021.

The weaker outlook is as a result of lower commodity prices, higher borrowing costs, drought and diminished business and consumer confidence. Constrained electricity supply continues to limit growth and deter fixed investment. Exchange rate depreciation is contributing to a higher inflation outlook during 2018.

These factors are expected to ease over the medium term. An upturn in global trade and investment, improved policy certainty, recovering consumer and business confidence, and greater availability and reliability of electricity in the outer years should support stronger growth.

Higher inflation and weaker employment growth will impact on the ability of municipalities to generate and collect revenue on services, to keep expenditures within the budgeted allocations, and to borrow to fund capital expenditure programmes at affordable rates. Therefore, it is critical for municipalities to review how they conduct their business to ensure value for money is obtained in all their expenditures, that revenue administration systems are operating effectively, that borrowing programmes are realistic, and that creditors (including bulk service providers) continue to be paid timeously and in full.

### **2.5.2 General inflation outlook and its impact on the municipal activities**

There are four key factors that have been taken into consideration in the compilation of the 2020/21 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in the cost of remuneration.

CPI inflation rate is above the 4.5 percent parameter set by the South African Reserve Bank.

### **2.5.3 Collection rate for revenue services**

Cash flow is assumed to be ..... percent of billings due to corrective measures that have been implemented. The performance of arrears collection will only be considered as a source of additional cash in-flow once the performance has been carefully monitored.

The achievement of the budgeted revenue is premised on the following assumptions.

- Data cleansing to achieve correct billings
- Reduction of electricity losses as a result of line losses.
- Installation of smart/split meters to prevent tempering
- Cleaning and replacing of broken water meters
- Install new meters in Zamani and Ezenzeleni to abolish the flat rate that is currently being used as a form of billing.
- Appointment of the revenue manager to improve revenue management.
- Subsidising indigents only, as opposed subsidising every household
- Billing consumers correctly for each service consumed.

#### **2.5.4 Salary increases**

The South African Local Government Bargaining Council recently entered into a three-year Salary and Wage collective agreement for the period 01 July 2018 to 30 June 2021. The agreement reached is as follows:

- 2019/20 Financial Year – 7 Percent
- 2020/21 Financial Year – average CPI + 1 percent
- 2021/22 Financial Year – average CPI + 1 percent

PLM has used this guide in the preparation of its budget for the MTREF.

#### **2.5.5 Growth or decline in tax base of the municipality**

Debtors' revenue is assumed to increase at a rate that is influenced by the consumer debtors' collection rate, tariff/rate pricing, real growth rate of the PLM, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition, the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the costs incurred for servicing the household is the same whether it is poor or not, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

#### **2.5.6 Impact of National, Provincial and Local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and, in this regard, various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. As thus, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Infrastructure development;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure, thereby ensuring the achievement of the national, provincial and local objectives.

#### **2.5.7 Ability of the municipality to spend and deliver on the programmes**

It is estimated that a spending rate of almost 100 percent is achieved on operating expenditure and a total of 100 percent on the capital programme for the 2020/21 MTREF. If the municipality could exhaust all its funds to ensure service delivery to the community, that is a committed municipality.

## **2.6 Overview of budget funding**

### **2.6.1 Medium-term outlook: operating revenue**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives a reasonable part of its operational revenue from the provision of services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building fees, licences and permits, etc.) make up the rest of the pie.

The revenue strategy is a function of key components such as:

- Growth in the PLM and economic development;
- Revenue management and enhancement;
- Achievement of an 80 percent collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) guideline;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- The ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

### **2.6.2 Medium-term outlook: Capital Revenue**

Grant receipts still remain a significant funding source for the capital programme over the medium-term. The borrowing capacity of PLM has essentially reached its limits and going forward borrowing limits will remain constant.

Internally generated funds consist of a mixture between surpluses generated on the operating statement of financial performance and cash backed reserves. In determining the credibility of this funding source it becomes necessary to review the cash flow budget as well as the cash backed reserves and accumulated funds reconciliation, as discussed below. The main contributing factor to the escalation of 100 percent spending is owing to the fact that PLM budget for capital spending on a year to year basis is funded by conditional grants.

### **2.6.3 Cash Flow Management**

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understanding for councillors and management. Some specific features include:

Clear separation of capital and operating receipts from government also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words, the actual collection rate of billed revenue; and  
Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).



**Table 20 (Table A7) – Budgeted Cash flow statement**

FS195 Phumelela - Table A7 Budgeted Cash Flows

FS195 Phumelela - Table A7/ Budgeted Cash Flows												
Description		Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates			12 259	11 545	14 494	10 585	10 585	10 585	10 585	11 892	12 439	13 021
Service charges			20 975	27 722	40 069	34 459	34 459	34 459	34 459	35 050	38 335	42 731
Other revenue			8 706			6 213	2 832	2 832	2 832	2 744	2 865	2 993
Transfers and Subsidies - Operational		1	62 935	93 819	59 950	79 331	81 331	81 331	81 331	83 750	90 004	95 460
Transfers and Subsidies - Capital		1	68 712	102 432	65 454	51 208	60 620	60 620	60 620	66 382	47 686	50 347
Interest			9 494	9 669	19 255	8 067	10 315	10 315	10 315	19 479	20 414	21 393
Dividends			–	–	–	–	–	–	–	–	–	–
Payments												
Suppliers and employees			(86 353)	(78 404)	(86 075)	(125 737)	(129 310)	(129 310)	(129 310)	(142 099)	(149 828)	(157 796)
Finance charges			(30 268)	(100 288)	(75 160)	(12 718)	(3 628)	(3 628)	(3 628)	(3 792)	(7 267)	(7 602)
Transfers and Grants		1	–	–	–	–	–	–	–	–	–	–
NET CASH FROM/(USED) OPERATING ACTIVITIES			66 460	66 494	37 987	51 408	67 204	67 204	67 204	73 406	54 647	60 547
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE			–	40 672	–	–	–	–	–	–	–	–
Decrease (increase) in non-current receivables			–	12	5	–	–	–	–	–	–	–
Decrease (increase) in non-current investments			–	–	–	–	–	–	–	–	–	–
Payments												
Capital assets			(64 708)	(100 092)	(41 976)	(51 208)	(51 208)	(51 208)	(51 208)	(66 382)	(47 686)	(50 347)
NET CASH FROM/(USED) INVESTING ACTIVITIES			(64 708)	(59 409)	(41 971)	(51 208)	(51 208)	(51 208)	(51 208)	(66 382)	(47 686)	(50 347)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans			–	–	–	–	–	–	–	–	–	–
Borrowing long term/refinancing		3	–	–	–	–	–	–	–	–	–	–
Increase (decrease) in consumer deposits			–	–	–	–	–	–	–	–	–	–
Payments												
Repayment of borrowing			(1 045)	(385)	(297)	(168)	(126)	(126)	(126)	–	–	–
NET CASH FROM/(USED) FINANCING ACTIVITIES			(1 042)	(385)	(297)	(168)	(126)	(126)	(126)	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD			711	6 700	(4 282)	32	15 870	15 870	15 870	7 024	6 961	10 200
Cash/cash equivalents at the year begin:		2	471	1 182	7 882	32	3 657	3 657	3 657	3 601	10 625	17 586
Cash/cash equivalents at the year end:		2	1 182	7 882	3 601	64	19 527	19 527	19 527	10 625	17 586	27 786

- The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA circular 99 – Funding a Municipal Budget.
- In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
- The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
- Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the Tabled budget is not appropriately funded.
- Considering the requirements of section 18 of the MFMA, it can be concluded that the final 2020/2021 MTREF is funded owing to the realised surplus.
- As part of the budgeting and planning guidelines that informed the compilation of the 2020/21 MTREF the end objective of the medium-term framework was to ensure the budget is funded in alignment to section 18 of the MFMA.

## 2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA.

**Table 22 – Funding compliance measurement**

FS195 Phumelela Supporting Table SA10 Funding measurement

G150 Financial Supporting Table G150 Funding measurement												
Description	MFMA section	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
<b>High Level Outcome of Funding Compliance</b>												
Total Operating Revenue			120 697	201 924	165 070	154 638	167 863	167 863	167 863	169 914	182 476	194 964
Total Operating Expenditure			208 210	208 878	258 004	154 546	167 564	167 564	167 564	169 794	182 297	194 314
Surplus/(Deficit) Budgeted Operating Statement			(87 513)	(6 954)	(92 934)	92	299	299	299	120	179	649
Surplus/(Deficit) Considering Reserves and Cash Backing			(177 325)	(213 062)	(270 434)	(1 117)	585	585	585	2 509	6 594	15 562
MTREF Funded (1) / Unfunded (0)		15	0	0	0	0	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✖		15	✖	✖	✖	✖	✓	✓	✓	✓	✓	✓

## 2.7 Annual budgets and SDBIPs – internal departments

The SDBIPs for the different departments will in terms of section 53(1)(c)(ii) of the MFMA be tabled and approved by the mayor within 28 days after the approval of the annual budget. Therefore, at the time when this budget was adopted the SDBIP was yet to be approved.

## 2.8 Contracts having future budgetary implications

In terms of the PLM's Supply Chain Management Policy, no contracts are awarded beyond the medium term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## PART 2: SUPPORTING DOCUMENTATION

### 2.9 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

#### 2.9.1 In-year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the PLM's website.

#### 2.9.2 Internship programme

The PLM is participating in the Municipal Financial Management Internship programme and has employed 5 interns undergoing training in various divisions of the Financial Services Department. 5 of the interns previously trained by the municipality were appointed on permanent basis as of 4<sup>th</sup> May 2015. Since the introduction of the Internship programme the PLM has successfully employed and trained eighteen interns through this programme and a majority of them were appointed either in the PLM and other institutions such as KPMG, Anglo American and municipalities such as Lekwa Local Municipality and Thabo Mofutsanyana District municipality.

The contracts of the Five interns appointed by the municipality during the 2017-18 financial year have been extended with a further one year in order to allow them to complete the MFMP programme and attain the required competency.

#### 2.9.3 Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

#### 2.9.4 Audit Committee

PLM is currently using a shared district Audit Committee.

## 2.9.5 Service Delivery and Budget Implementation Plan

The detailed SDBIP document is at draft stage and will be finalised after approval of the 2020/21 MTREF on or before the 30 May 2020 directly aligned and informed by the 2020/21 MTREF.

## 2.9.6 Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

## 2.9.7 MFMA Training

Current Interns are busy undergoing the MFMA training module in electronic format, and have been registered for the Municipal Finance Management Programme. Nine officials of the municipality have undergone the Municipal Finance Management Programme and are awaiting certification.

## 2.9.8 Policies

All Phumelela Local Municipality's developed and reviewed policies are aligned to government legislations and regulations as gazetted. Any amendments to our policies will not deviate from gazetted legislations and regulations.

## 2.10 TARIFFS

PHUMELELA LOCAL MUNICIPALITY					
2020 - 2023 TARIFFS					
		Mid-Term Revenue and Expenditure Framework			
		2019/2020	2020/2021	2021/2022	2022/2023
<b>SEWERAGE</b>		2019/2020	2020/2021	2021/2022	2022/2023
% Increase		5,6%	4,5%	4,6%	4,6%
Residential		107,97	112,83	117,79	118,25
Businesses/Government		361,94	378,23	394,88	396,39
Blockages		365,48	381,93	398,74	400,27
Septic Tank		365,48	381,93	398,74	400,27
Septic Tank 100-200 L		73,10	76,39	79,75	80,05
Hotels & Hostels		1 083,99	1 132,77	1 182,63	1 187,17
Retirement Homes		106,76	111,56	116,47	116,92
<b>REFUSE</b>		2019/2020	2020/2021	2021/2022	2022/2023
% Increase		5,3%	4,5%	4,6%	4,6%
Residential		95,61	99,91	104,31	104,71
Businesses/Government		221,73	231,71	241,91	242,84
Flats		95,61	99,91	104,31	104,71
Garden Refuse /sq.m		559,55	584,73	610,47	612,82
Building Refuses /cub.m		839,33	877,10	915,71	919,22
Churches		95,61	99,91	104,31	104,71
				-	-
				-	-
<b>WATER</b>		2019/2020	2020/2021	2021/2022	2022/2023
% Increase		5,3%	4,5%	4,6%	4,6%
Residential/per Kl		10,23	10,69	11,16	11,20
Vrede Marina/per Kl		10,23	10,69	11,16	11,20
Departmental/per Kl		7,00	7,32	7,64	7,67
Flat rate		71,58	74,80	78,09	78,39
Business/Government		12,92	13,50	14,09	14,14

<b>WATER Block Tariffs</b>		<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>
% Increase		105,60%	4,5%	4,6%	4,6%
Residential/per KI	1 - 6 KL	10,23	10,69	11,16	11,20
	7 - 10 KL	10,23	10,69	11,16	11,20
	11 - 15 KL	7,00	7,32	7,64	7,67
	16 - 20 KL	71,58	74,80	78,09	78,39
	21 - 30 KL	12,92	13,50	14,09	14,14
	> 31 KL	14,77	15,44	16,12	16,18
Vrede Marina/per KI	1 - 6 KL	10,23	10,69	11,16	11,20
	7 - 10 KL	10,23	10,69	11,16	11,20
	11 - 15 KL	7,00	7,32	7,64	7,67
	16 - 20 KL	71,58	74,80	78,09	78,39
	21 - 30 KL	12,92	13,50	14,09	14,14
	> 31 KL	14,77	15,44	16,12	16,18
Departmental/per KI		7,00	7,32	7,64	7,67
Flat rate		71,58	74,80	78,09	78,39
Business/Government		12,92	13,50	14,09	14,14
				-	-
				-	-
				-	-
<b>PROPERTY RATES</b>		<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>
% Increase		5,30%	4,50%	4,60%	4,60%
Residential- (Total less R 45 000)		0,00701	0,00732	0,00764	0,00767
Business/Government (Total less R 45 000)		0,01003	0,01048	0,01056	0,01096
Government- Rebate 30%		-	-	-	-
Schools- (Total less R 45 000) Rebate 30%		0,00181	0,00189	0,00189	0,00197
*Farms		0,00102	0,00107	0,00107	0,00112
Admin Fees Vrede Marina		93,6447	97,85872	97,95918	102,36484
<b>ELECTRICITY - WARDEN/EZENZELENI</b>		<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>
% Increase		6,84%	6,22%	4,60%	4,60%
Residential / Dwellings / Flat					
	Basic	119,63	127,07	125,13	132,91
	Conventional: Energy cost per kWh	1,65	1,76	1,73	1,84
	Prepaid: Energy cost per kWh	1,65	1,76	1,73	1,84
	Winter : Energy cost per kwh	1,70	1,81	1,78	1,89
Businesses		2019/2020	2020/2021	2021/2022	2022/2023
	Basic				
	Conventional: Energy cost 1 - 25 kVA	440,81	468,23	461,09	489,77
	Conventional: Energy cost 26 - 50 kVA	402,73	427,78	421,26	447,46
	Conventional: Energy cost 51 - 100 kVA	654,56	695,28	684,67	727,26
		-	-	0	0
	Conventional: Energy cost per kWh	1,78	1,89	1,86	1,97
	Prepaid: Energy cost per kWh	1,78	1,89	1,86	1,97
	Winter : Energy cost per kwh	2,06	2,18	2,15	2,29
Industrial & Other		2019/2020	2020/2021	2021/2022	2022/2023
	Basic	825,76	877,12	863,75	917,47
	Conventional: Energy cost per kWh	0,84	0,90	0,88	0,94
	Conventional: Energy cost per kVA	272,88	289,86	285,44	303,19
Non Residential		2019/2020	2020/2021	2021/2022	2022/2023
	Basic				
	Conventional: Energy cost 1 - 25 kVA	440,81	468,23	461,09	489,77
	Conventional: Energy cost 26 - 50 kVA	548,89	583,03	574,14	609,85
	Conventional: Energy cost 51 - 100 kVA	769,66	817,53	805,06	855,14
	Conventional: Energy cost thereafter per kVA	2,34	2,49	2,45	2,61
	Conventional: Winter Energy cost thereafter per kVA	2,34	2,49	2,45	2,61
Hostels / Schools		2019/2020	2020/2021	2021/2022	2022/2023
	Basic	422,86	449,16	442,31	469,82
	Conventional: Energy cost per kWh	1,60	1,70	1,67	1,77
	Conventional: Winter energy cost per kwh	1,65	1,76	1,73	1,84
Departmental		2019/2020	2020/2021	2021/2022	2022/2023
	Conventional: Energy cost per kWh	1,73	1,84	1,81	1,92
	Conventional: Winter Energy cost per kWh	1,73	1,84	1,81	1,92
Vacant Erven					
	Basic	131,82	140,02	137,88	146,46
<b>ELECTRICITY - BLOCK TARIFFS</b>		<b>2019/2020</b>	<b>2020/2021</b>	<b>2021/2022</b>	<b>2022/2023</b>
% Increase		6,84%	6,22%	4,60%	4,60%
RESIDENTIAL	Block 1				
	0-100	1,03	1,10	1,08	1,15
	0-100 : Winter	1,03	1,10	1,08	1,15
	Block 2				
	101-350	1,33	1,41	1,39	1,48
	101-350 : Winter	1,33	1,41	1,39	1,48
	Block 3				
	351-600	1,87	1,99	1,96	2,08
	>351 kWh : Winter	1,87	1,99	1,96	2,08
	Block 4				
	>600	2,20	2,34	2,30	2,45
	>600	2,20	2,34	2,30	2,45



## 2.10 Municipal Manager's Quality Certificate

I ....., Municipal Manager of Phumelela Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_

Municipal Manager of Phumelela Local Municipality (FS195)

Signature \_\_\_\_\_

Date \_\_\_\_\_